

# **TRANSCRIPT OF RECORD**

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**Supreme Court of the United States**

**OCTOBER TERM, 1962**

**No. 23**

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**PAN AMERICAN WORLD AIRWAYS, INC.,  
APPELLANT,**

**vs.**

**UNITED STATES.**

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**No. 47**

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**UNITED STATES, APPELLANT,**

**vs.**

**PAN AMERICAN WORLD AIRWAYS, INC., ET AL.**

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**APPEALS FROM THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

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**NO. 23 FILED JULY 25, 1961**

**NO. 47 FILED DECEMBER 1, 1961**

**JURISDICTION POSTPONED JANUARY 15, 1962**

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1961

No. 257

PAN AMERICAN WORLD AIRWAYS, INC.,  
APPELLANT,

vs.

UNITED STATES.

No. 583

UNITED STATES, APPELLANT,

vs.

PAN AMERICAN WORLD AIRWAYS, INC., ET AL.

APPEALS FROM THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

INDEX

VOLUME V

Original Print

Record from the United States District Court for  
the Southern District of New York—Continued

Pan American World Airways, Inc. Exhibits:

DOCUMENTARY EVIDENCE: 1772 1851

1—Letter to Wilbur L. Morrison from R. C.

Shrader dated October 11, 1946 1777 1856



Record from the United States District Court for  
the Southern District of New York—Continued  
Pan American World Airways, Inc. Exhibits—  
Continued

2—Agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated July 30, 1946 .....	1779	1859
Annex .....	1799	1879
3—Letter agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated May 28, 1947 .....	1803	1884
4—Letter agreement between W. R. Grace and Co. and Pan American Airways Corporation dated May 28, 1947 .....	1804	1885
5—Supplement No. 2 to Through Flight Agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated January 9, 1948 .....	1805	1887
6—Supplement No. 3 to Through Flight Agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated January 28, 1949 .....	1828	1908
7—Supplement No. 4 to Through Flight Agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated February 9, 1949 .....	1830	1910
8—Supplement No. 5 to Through Flight Agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated May 11, 1949 .....	1831	1911
9—Amendment No. 1 to application of Pan American World Airways, Inc. for approval of Supplement No. 5 to the Through Flight Agreement dated April 25, 1951 .....	1839	1919
10—Supplement No. 6 to Through Flight Agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated October 18, 1949 .....	1844	1923

Record from the United States District Court for  
the Southern District of New York—Continued  
Pan American World Airways, Inc. Exhibits—  
Continued

- |   |      |      |
|---|------|------|
| 11—Supplement No. 7 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American Grace Airways, Inc. dated January 31, 1950    | 1847 | 1925 |
| 12—Supplement No. 8 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American Grace Airways, Inc. dated December 26, 1950   | 1849 | 1927 |
| 13—Supplement No. 9 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American Grace Airways, Inc. dated January 24, 1951    | 1872 | 1952 |
| 14—Supplement No. 10 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American Grace Airways, Inc. dated June 29, 1951      | 1875 | 1955 |
| 15—Supplement No. 11 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American Grace Airways, Inc. dated January 1, 1952    | 1883 | 1964 |
| 16—Supplement No. 12 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American Grace Airways, Inc. dated April 10, 1952     | 1891 | 1971 |
| 17—Supplement No. 13 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American Grace Airways, Inc. dated September 25, 1952 | 1902 | 1986 |
| 18—Supplement No. 14 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American Grace Airways, Inc. dated May 8, 1953        | 1903 | 1987 |

Record from the United States District Court for  
the Southern District of New York—Continued  
Pan American World Airways, Inc. Exhibits—  
Continued

Original Print

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|--|------|------|
| 19—Supplement No. 15 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. dated January 20, 1954  | 1918 | 2009 |
| 20—Supplement No. 16 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. dated June 29, 1954     | 1934 | 2031 |
| 21—Supplement No. 17 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. dated September 7, 1955 | 1935 | 2032 |
| 22—Supplement No. 18 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. dated August 4, 1955    | 1955 | 2065 |
| 23—Supplement No. 19 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. dated August 7, 1957    | 1962 | 2070 |
| 24—Supplement No. 20 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. dated July 11, 1958     | 1964 | 2072 |
| 25—Supplement No. 21 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. dated December 23, 1958 | 1966 | 2074 |

# INDEX

V

Original Print

## Record from the United States District Court for the Southern District of New York—Continued Pan American World Airways, Inc. Exhibits— Continued

- |  |      |      |
|--|------|------|
| 26—Equipment Interchange Agreement between National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. dated August 4, 1955  | 1978 | 2088 |
| 27—Supplement No. 1 to Equipment Interchange Agreement between National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. dated August 9, 1955  | 2020 | 2126 |
| 28—Application as amended by Amendment No. 1 of National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. for approval of Equipment Interchange Agreement and amendment to Through Flight Agreement under Section 412 of the Civil Aeronautics Act and, if deemed necessary, for approval under or exemption from Section 408 of the said Act dated August 4, 1955 | 2033 | 2138 |
| 29—Amendment No. 1 to application of National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. for approval of Equipment Interchange Agreement and amendment to Through Flight Agreement under Section 412 of the Civil Aeronautics Act and, if deemed necessary, for approval under or exemption from Section 408 of the said Act dated August 10, 1955           | 2079 | 2177 |
| 30—Letter to Civil Aeronautics Board from K. A. Lawder dated August 29, 1955   | 2084 | 2181 |

Record from the United States District Court for  
the Southern District of New York—Continued  
Pan American World Airways, Inc. Exhibits—  
Continued

31—Supplement No. 2 to Equipment Interchange Agreement between National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. dated August 22, 1955 .....	2085	2182
32—Letter agreement between Pan American-Grace Airways, Inc. and National Airlines, Inc. dated August 24, 1955 .....	2089	2185
33—Letter agreement between Pan American-Grace Airways, Inc. and National Airlines, Inc. dated November 28, 1955 .....	2091	2186
34—Supplement No. 3 to Equipment Interchange Agreement between National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. dated November 28, 1955 .....	2093	2188
35—Letter agreement between Pan American-Grace Airways, Inc., National Airlines, Incorporated, and Pan American World Airways, Inc. dated April 16, 1957 .....	2102	2196
36—Statement of references and cost determination set forth in financial supplement dated August 9, 1955, to the Equipment Interchange Agreement dated August 4, 1955, between National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. ....	2106	2200
Pan American Documentary Evidence—Agreements filed with the CAB .....	2108	2204
37—Agreements on Interline tickets between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated from January 26, 1932, to October 1, 1945 .....	2113	2209

Record from the United States District Court for  
the Southern District of New York—Continued  
Pan American World Airways, Inc. Exhibits—  
Continued

Pan American Documentary Evidence—Agree-  
ments filed with the CAB—Continued

38—Letter agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated June 11, 1937	2126	2220
39—Letter agreement between Pan American- Grace Airways, Inc. and Pan American Airways, Inc. dated May 13, 1942	2128	2222
40—Letter agreement between Pan American- Grace Airways, Inc. and Pan American Airways, Inc. dated October 28, 1942	2129	2223
41—Agreement between Pan American-Grace Airways, Inc. and Pan American Air- ways, Inc. dated May 25, 1944	2131	2225
42—Contract between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated August 23, 1945	2134	2227
43—Agreement between Pan American, Pan- agra and Grace dated March 3, 1948	2140	2233
44—Letter agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated July 14, 1948	2163	2250
45—Memorandum agreement regarding ser- vices rendered and to be rendered to Panagra by the parent companies and compensation therefor between Pan American-Grace Airways, Inc., Pan American Airways, Inc., and W. R. Grace and Co., dated July 14, 1948	2168	2256
46—General Traffic and Sales Agency Agree- ment between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated September 10, 1948	2180	2263
47—Letter agreement between Pan American- Grace Airways, Inc. and Pan American World Airways, Inc. dated December 10, 1951	2213	2297

Record from the United States District Court for the Southern District of New York—Continued		
Pan American World Airways, Inc. Exhibits—Continued		
Pan American Documentary Evidence—Agreements filed with the CAB—Continued		
48—Letter agreement between Pan American-Grace Airways, Inc. and Pan American World Airways, Inc. dated March 6, 1956 .....	2215	2299
49—Letter agreement between Pan American-Grace Airways, Inc. and Pan American World Airways, Inc. accepted April 25, 1956 .....	2217	2301
50—Exchange of correspondence between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. dated respectively June 26, 1957, June 3, 1957 and June 7, 1957 .....	2220	2303
51—General Traffic Agreement between Pan American Airways, Inc. and Sociedad Colombo-Alemana de Transportes Aereos dated March 11, 1952 .....	2227	2309
52—General Traffic and Sales Agency Agreement between Pan American Airways, Inc. and Aerovias Nacionales de Colombia, S.A. dated November 1, 1949 .....	2242	2324
53—General Traffic and Sales Agency Agreement between Pan American World Airways, Inc. and Aerovias Nacionales de Colombia, S.A. dated December 3, 1954 .....	2271	2353
54—Letter agreement between Aerovias Nacionales de Colombia, S.A. and Pan American World Airways, Inc. dated December 3, 1954 .....	2288	2368
55—Letter agreement between Pan American World Airways, Inc. and Aerovias Nacionales de Colombia, S.A. dated December 3, 1954 .....	2291	2371
56—Interline Traffic Agreement signed by Pan American Airways, Inc. dated December 3, 1954 .....	2292	2372



[fol. 1772]

Pan American Documentary EvidenceAgreements Filed with the CABTable of ContentsVolume 11. AGREEMENTS WITH PANAGRA:Through Flight Agreement and Supplements:

<u>Date of Agmt.</u>	<u>Parties</u>	<u>Description</u>	<u>Date Filed CAB</u>	<u>CAB No.</u>	<u>Date App'd.</u>	<u>Order No.</u>
7/30/46	PAA/PANAGRA	Through Flight Agmt. 1/	8/5/46	727	5/5/47	E-579
5/28/47	PAA/PANAGRA	Supp. No. 1	5/28/47			
1/9/48	PAA/PANAGRA	Supp. No. 2	1/14/48	727-A	8/29/50	E-4575
1/28/49	PAA/PANAGRA	Supp. No. 3	2/18/49	727-A/4	8/29/50	E-4575
2/9/49	PAA/PANAGRA	Supp. No. 4	2/18/49	727-A/5	8/29/50	E-4575
5/11/49	PAA/PANAGRA	Supp. No. 5	5/12/49	727-A/6	8/29/50	E-4575
10/18/49	PAA/PANAGRA	Supp. No. 6	10/24/49	727-A/7	8/29/50	E-4575
1/31/50	PAA/PANAGRA	Supp. No. 7	2/28/50	727-A/8	8/29/50	E-4575
12/26/50	PAA/PANAGRA	Supp. No. 8	1/24/51	727-A/9	8/10/55	E-9481
1/24/51	PAA/PANAGRA	Supp. No. 9	2/9/51	727-A/10	8/10/55	E-9481
6/29/51	PAA/PANAGRA	Supp. No. 10	7/27/51	727-A/11	8/10/55	E-9481
1/1/52	PAA/PANAGRA	Supp. No. 11	2/15/52	727-A/12	8/10/55	E-9481
4/10/52	PAA/PANAGRA	Supp. No. 12	4/16/52	727-A/13	8/10/55	E-9481
9/25/52	PAA/PANAGRA	Supp. No. 13	10/13/52	727-A/14	8/10/55	E-9481
5/8/53	PAA/PANAGRA	Supp. No. 14	5/18/53	727-A/15	8/10/55	E-9481
1/20/54	PAA/PANAGRA	Supp. No. 15	4/22/54	727-A/16	8/10/55	E-9481

1/ For Parent Company Agreement considered by CAB as part of Through Flight Agreement.  
see Agreement with Grace.



1852

[fol. 1773]

<u>Date of Agmt.</u>	<u>Parties</u>	<u>Description</u>	<u>Date Filed CAB</u>	<u>CAB No.</u>	<u>Date Appvd.</u>	<u>Order No.</u>
6/29/54	PAA/PANAGRA	Supp. No. 16	8/17/54	727-A/17	8/10/55	E-9481
9/7/55	PAA/PANAGRA	Supp. No. 17	9/23/55	727-A/19	10/13/55	E-9654
8/4/55	PAA/PANAGRA	Supp. No. 18	8/4/55	727-A/18	8/10/55	E-9481
8/7/57	PAA/PANAGRA	Supp. No. 19	8/20/57	727-A/20	Pending	
7/11/58	PAA/PANAGRA	Supp. No. 20	7/23/58	727-A/23	Pending	
12/23/58	PAA/PANAGRA	Supp. No. 21	1/8/59	727-A/25	Pending	

Equipment Interchange Agreement and Supplements

8/4/55	PAA/NAL/PANAGRA	Equipment Inter- chge. Agmt.	8/4/55	9205	8/10/55	E-9481
8/22, 24/55	PAA/NAL/PANAGRA	Supp. No. 2 (Valu- ation aircr. & Lr. Agmt.)	8/29/55	A/1	9/12/55	E-9562
11/28/55	PAA/NAL/PANAGRA	Supp. No. 3	1/4/56	A/2	10/15/56	E-10669
4/26/57	PAA/NAL/PANAGRA	Unif. Syst. Accts. Lr. Agt.	6/26/57	A/3	Pending	

Volume 2Other Agreements with Panagra

1/26/32 to 10/1/54	PAA/PANAGRA	Interline tickets (11 copies cor- respondence)	9/27/46	810		
6/11/37	PAA/PANAGRA	Lr. Agmt/Ornd. 3v. by PAN-AGRA/Buenos Aires Airt.	2/20/53	664	2/17/53	E-7165
5/13/42	PAA/PANAGRA	Joint Facilities- Corumba, Brazil	9/27/46	807		
10/28/42	PAA/PANAGRA	Apportionment of Revenue	5/27/46	808		
5/25/44	PAA/PANAGRA	Airmail exchange	9/27/46	809		

[fol. 1774]

<u>Date of Agmt.</u>	<u>Parties</u>	<u>Description</u>	<u>Date Filed CAB</u>	<u>CAB No.</u>	<u>Date Appvd.</u>	<u>Order No.</u>
8/23/45	PAA/PANAGRA	Airmail Service- Operations/Panara (Sp. Eng.)		671-A/2	11/7/52	E-6945
3/3/48	PAA/PANAGRA/ W.R.GRACE & CO.	Gen. Sls. Agcy & Commissions	9/24/48	2172	Pending	
7/14/48	PAA/PANAGRA	Purch. & Shipping Agmt.	7/20/48	2272	1/22/52	E-6048
7/14/48	PAA/PANAGRA/ W.R.GRACE & CO.	Agmt. re Gen. Sls. Agcy, Pch. & Ship- ping & Adm. Sv. to Panagra	7/20/48	2273	Terminated	
9/10/48	PAA/PANAGRA	Gen. Traff/Sls. Agcy. Agt.	9/21/48	2473	11/8/51	E-5842
12/11/51	PAA/PANAGRA	PAA ticket sale on "lift" basis	5/12/52	6133	6/3/52	E-6476
3/6/56	PAA/PANAGRA	Appvl. changes in design	3/27/56	A/1	Pending	
4/24/56	PAA/PANAGRA	Commissions re DC8s	5/17/57	A/1	Pending	
6/26/57	PAA/PANAGRA	Procurement of parts DC6s	7/22/57	A/2	Pending	
6/3, 7 & 26/57	PAA/PANAGRA	Avianca an affil. carrier	7/10/57	A/2	Pending	

2. AGREEMENTS WITH AVIANCA AND SCADTA:

3/11/32	PAA/SCADTA	General Traffic Agmt.	9/30/38	166	Terminated	
11/1/49	PAA/AVIANCA	Gen. Traffic/ Sls. Agcy. Agt.	11/14/49	3763	11/8/51	E-5842
12/3/54	PAA/AVIANCA	Gen. Traf/Sls. Agcy. Agt.	12/8/54	8528	Pending	
12/3/54	PAA/AVIANCA	Reimburse. of expenses	7/10/57	A/2	Pending	

[fol. 1775]

Date of Agmt.	Parties	Description	Date Filed CAB	CAB No.	Date Appvd.	Order No.
12/3/54	PAA/AVIANCA	PAA Ir. designat. affiliates	7/10/57	A/1	Pending	
12/3/54	PAA/AVIANCA	IATA Interl. Traff. Agt.	4/4/55	8842	4/25/55	E-9130
6/18/57	PAA/AVIANCA	Amdt. No. 1 re territory	7/10/57	A/1	Pending	
1/30/58	PAA/AVIANCA	Rel. to territory/Amdt. No. 2	3/31/58	A/4	Pending	
3/31/58	PAA/AVIANCA	Amdt. No. 3 - re territory	4/24/58	A/5	Pending	
10/30/58	PAA/AVIANCA	Amdt. No. 4 - re territory		A/6	Pending	
3. <u>AGREEMENTS WITH BRANIFF:</u>						
4/27/48	PAA/BRANIFF	Grnd. Sv. Agt. Havana & San Blas, Panama	4/27/48	1980	5/27/53	E-7416
9/27/48	PAA/BRANIFF	Amdt. No. 1 re charges	1/13/49	A/1	3/30/49	E-8651
10/31/49	PAA/BRANIFF	Amdt. No. 2 re charges	12/14/49	A/2	5/27/53	E-7416
12/7/49	PAA/BRANIFF	Amdt. No. 3 re charges	1/20/50	A/3	5/27/53	E-7416
7/20/50	PAA/BRANIFF	Amdt. No. 4 re charges	9/21/50	A/4	5/27/53	E-7416
4/30/52	PAA/BRANIFF	Assignmt. to AUSA of Svcs. Agt.	9/25/52	A/5	5/27/53	E-7416
11/18/54	PAA/BRANIFF	Participn. in PAA Syst. tariffs	11/30/54	8510	12/29/54	E-8862
6/20/57	PAA/BRANIFF	Amdt. No. 5 re charges	7/22/57	A/6	9/13/57	E-11789
10/21/57	PAA/BRANIFF	Amdt. No. 6 re charges	11/22/57	A/7	Pending	

[fol. 1776]

Date of Agmt.	Parties	Description	Date Filed CAB	CAB No.	Date Appvd.	Order No.
4. <u>AGREEMENT WITH GRACE:</u>						
Agreement between W. R. Grace & Co. and Pan American Airways Corporation, dated July 30, 1946; see Trial Brief for United States, Part II, Excerpts from Documentary Evidence, Volume IV, Thru-Flight - Part II, G-267.						
5. <u>AGREEMENTS WITH NATIONAL AIRLINES:</u>						
See above under Agreements with Panagra; Equipment Interchange Agreement and Supplements.						
6. <u>AGREEMENTS WITH PANAIR DO BRASIL:</u>						
11/1/43	PAA/PAB	(General Agency Agt.) Ir. Agt.	10/14/43	267	11/8/51	E-5842
1/2/44	PAA/PAB	General Agency Agt.	2/19/44	A	11/8/51	E-5842
6/22/44	PAA/PAB	Ir. Agt.	11/6/44	A/2	11/8/51	E-5842
12/12/46	PAA/PAB	Agt.	4/4/47	A/3	11/8/51	E-5842
1/2/47	PAA/PAB	Ir. Agt. re Syst. Accts.	12/16/47	A/4	11/8/51	E-5842
1/6/47	PAA/PAB	Ir. Agt. Amdt. No. 2	9/30/47	A/5	11/8/51	E-5842
2/19/52	PAA/PAB	Ir. Agt. re commission rates	6/18/52	A/9	7/9/52	E-6587
1/2/55	PAA/PAB	Gen. Traffic/Sls. Agcy. Agt.	12/29/55	9620		
12/13/55	PAA/PAB	Ir. fr. PAA/re. affil. carriers.		A/1	Pending	
7/2/57	PAA/PAB	Amdt. No. 1 re territory	8/5/57	A/2	Pending	
12/11/57	PAA/PAB	Amdt. No. 2 re territory	2/11/58	A/3	Pending	

1856

[fol. 1777]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 1

**BRANIFF**

*Airways*

[Handwritten notation—"Return to Friendly"]

**LOVE FIELD**

**DALLAS 5, TEXAS**

[Stamp—Received—Oct 14 1946—Pan American Airways,  
Inc.—Vice President—Latin American Div.]

October 11, 1946

Mr. Wilbur L. Morrison  
Vice President—Latin American Div.  
Pan American Airways System  
Miami, Florida

Dear Mr. Morrison:

This Company has just completed a survey flight over its new route from the United States to Panama and South America, including stops at various capitols of countries on the West Coast and then crossing over to Rio de Janeiro and Buenos Aires on the East Coast.

The personnel of Pan American Airways System gave us excellent service on our entire trip. In fact, airplane, crew, and employees could not have received any better attention had we been traveling over our own system. We want to take this opportunity to thank you, and through you all of the employees involved, for their efforts in making this flight a complete success. We experienced no weather or mechanical delays, and our only deviation from the schedule set up prior to leaving Dallas was caused by our own inability to complete our work in one or two of the cities visited. You have a very fine organization of Operations people, and they are all splendid fellows.

In this connection, I believe there has been some misunderstanding regarding our negotiations with the Canal Zone Air Terminal. On our arrival there the 2nd of September, we were informed by the Chief of the Aeronautics

Section of the Canal Zone that when the terminal building and hangar were built for the use of commercial airlines, certain space was reserved for the second United States airline certificated into Panama. As this second certificated airline happens to be our Company, we were informed that certain terminal building and hangar shop space then being used by other companies was actually being used on a 30 day cancellation basis, so it would be available for the second United States airline when required.

We informed the Airport Manager that the date on which we would need any space was indefinite, as it depended upon the completion of sufficient proving runs necessary to secure C.A.A. operations certificate covering the proposed route, which runs cannot be made until negotiations with various South American countries for operating permits have been successfully completed. I therefore suggested to the Airport Manager that we present our application for the space required, and that the present occupants of the quarters which were to be assigned to us be notified that sometime within the next several months our Company would require some of the space for which application was made. I also informed him that we would be very happy to continue the 30 day cancellation notice, so the present

PAA-5860

3185

5/6/55

JPL

[fol. 1778] occupants would have ample time to make other arrangements. This was done because we do not want to cause any more disturbance or reorganization in other companies than is absolutely necessary and still give us the minimum of space which will be needed to conduct our operations. Furthermore, it was necessary for us to apply for considerably more space than will be actually needed for our initial operation, because we do not know what expansion may take place within a few months' time.

On my return through Panama a few days ago, I learned that Canal Zone authorities had issued vacating notices, to be effective as of November 1, to the present occupants of quarters for which we made application. While this may be the only way the matter could be handled legally, it



1858

certainly was not our intention for any eviction notices to be issued. We intended for the present occupants to be notified that the quarters had been leased to this Company, but that they could continue occupancy on the present basis until such time as we would need the space leased to us. We informed both your people and Taca's that occupancy could be continued, as at present, until such time as we would have to have certain space. Furthermore, we stated that we did not intend to take possession of all the space leased to us at the same time, but would defer giving the 30 day notice on each of the several offices just as long as possible.

If it will be of any advantage to you to continue the use of any of this space which you are now occupying for the number of months that will elapse before we have need for the space, you are at perfect liberty to do so. We want you to know that you can have considerable length of time after November 1 in order to complete your reorganization plans, if you so desire. I believe the Airport Manager informed me that he understood from your personnel that January 1 would be a far more desirable date for them, and I feel quite sure we will not need more than one office prior to that date.

Will you please let me know your desires regarding this matter at your convenience.

Sincerely yours,

/s/ R. C. SHRADER  
R. C. Shrader  
Vice President—Operations

RCS:mdm

3185

PAA-5861

C

[fol. 1779]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 2

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A G R E E M E N T  
B E T W E E N  
P A N A M E R I C A N A I R W A Y S , I N C .  
A N D  
P A N A M E R I C A N - G R A C E A I R W A Y S , I N C .

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D A T E D J U L Y 3 0 , 1 9 4 6

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[fol. 1779a] AGREEMENT made and entered into this 30th day of July 1946 by and between PAN AMERICAN AIRWAYS, INC., a New York corporation (hereinafter called PAA), and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation (hereinafter called Panagra):

R E C I T A L S

A. PAA holds various certificates of convenience and necessity for routes between the continental United States and the Canal Zone, and Panagra holds a certificate of convenience and necessity for a route between the Canal Zone and various points in South America.

B. A substantial amount of the passenger, air express, mail and cargo traffic proceeding between the continental United States and the Canal Zone originates at or is destined to points on Panagra's certificated route in South America.

C. PAA and Panagra believe it is in the public interest that such through traffic should be enabled to proceed by fast direct flight without change of plane at the Canal Zone and that the making of arrangements to that end is desirable in order that they may compete effectively with

foreign-flag and other American-flag carriers operating or contemplating operations between the continental United States and the countries of South America which Panagra is certificated to serve.

D. Because of the foregoing and a desire to settle outstanding differences, PAA and Panagra desire to make arrangements, as hereinafter set forth, whereby PAA will charter aircraft of Panagra to be operated with Panagra flight crews over PAA's certificated routes between the Canal Zone and the continental United States.

[fol. 178v]      **TERMS OF AGREEMENT**

Now, therefore, in consideration of the premises and the mutual covenants herein contained, it is agreed as follows:

1. *Charter of Panagra Aircraft by PAA.* PAA will, at the request of Panagra as hereinafter provided, charter any aircraft operated by Panagra into the Canal Zone from Lima, Peru or any point on Panagra's certificated route in South America south of Lima, Peru, for through operation from the Canal Zone over one of PAA's routes to the continental United States, and for return operation to the Canal Zone over the same route. All such chartered aircraft shall be operated with Panagra flight crews. If Panagra shall deem it impracticable for the particular aircraft operated by Panagra into the Canal Zone to continue the flight to the continental United States, Panagra may substitute another aircraft of the same or comparable type.

2. *PAA Routes over which Through Flights are to be Operated.* (a) The initial route over which through flights are to be operated under this agreement shall be PAA's certificated route between the Canal Zone and Miami, Florida. Such flights shall be operated non-stop between the Canal Zone and Miami unless operating or traffic experience demonstrates to the satisfaction of both parties the desirability of making one or more intermediate stops.

(b) Upon the granting to PAA of a certificate for a route between Miami, Florida and Washington, D. C., and/or New York, New York, and/or a certificate for a route from



Miami, Florida, to Chicago, Illinois, through flights under this agreement shall proceed over such route to and from such points. Such flights may utilize the most direct non-stop route available to PAA. In the event PAA is certificated to operate between Miami, Florida and Boston, Massachusetts or any other points on the east coast of the United States, through flights may also be operated under this agreement to and from such points provided operating or traffic experience demonstrates the desirability thereof.

[fol. 1781] (c) If Panagra shall so request, PAA will file with the Civil Aeronautics Board such applications as may be necessary to permit non-stop operation between the Canal Zone and New Orleans, Louisiana, it being understood that nothing herein contained shall limit PAA's rights to apply for such non-stop authority without a request on the part of Panagra. Upon PAA's receiving such non-stop authority, whether as a result of applications filed at Panagra's request or otherwise, through flights may be made by Panagra aircraft pursuant to this agreement between the Canal Zone and New Orleans, Louisiana, to such extent as Panagra shall determine appropriate from time to time in the light of competitive conditions and the relative amount of traffic available for such route. If PAA shall have obtained authority from the Civil Aeronautics Board to operate a route between New Orleans, Louisiana, and Chicago, Illinois, such flights with Panagra aircraft may proceed over such route provided operating or traffic experience demonstrates the desirability thereof.

(d) PAA agrees to use its best efforts to obtain from the Civil Aeronautics Board authority to operate the various routes and non-stop services referred to in this paragraph 2 and Panagra agrees to support PAA to this end.

(e) Panagra aircraft chartered to PAA are not to be operated over any of PAA's routes other than those described above except by mutual consent.

**3. Number and Destination of Flights.** (a) At least thirty (30) days prior to the first scheduled through flight proposed to be made with Panagra aircraft and crews under

charter to PAA pursuant to this agreement, Panagra shall give notice to PAA as to the number and nature of the through flights proposed to be so operated during the ensuing six (6) months period over each of PAA's routes specified in paragraph 2 above. At least sixty (60) days prior to the expiration of said six (6) months period and of each six (6) months period thereafter, Panagra shall give notice to PAA of the number and nature of such through flights proposed to be so operated during the succeeding six (6) [fol. 1782] months period. Except with PAA's consent, the number of through flights to be so operated shall not during any period exceed the number specified in such notice. Subject only to operating or other conditions beyond Panagra's or PAA's control, Panagra shall be obligated to furnish the aircraft and crews for the performance of the flights specified in such notice and PAA shall be obligated to operate the through flights with such aircraft and crews over its routes as specified in such notice.

(b) If experience over any six (6) months period shall demonstrate that the load factors (including both local and through traffic) on the through flights operated north of the Canal Zone with Panagra aircraft and crews under charter to PAA pursuant to this agreement shall be inadequate, the parties shall take appropriate action to increase such load factors through reduction or adjustment of their schedules or otherwise.

4. *Schedules.* (a) PAA and Panagra will consult from time to time with a view to fixing the schedules of the through flights being operated over PAA's routes with Panagra aircraft and crews under charter to PAA pursuant to this agreement in such manner as to provide the most convenient and advantageous schedules for the benefit of through traffic between the continental United States and points on Panagra's certificated route in South America. In the event of disagreement the schedules for the through flights shall be established as follows: Panagra shall fix the hours of arrival of northbound through flights at the Canal Zone and of departure of southbound through flights from the Canal Zone, and PAA will immediately adjust the through schedules north of the Canal Zone to be flown with

Panagra aircraft pursuant to this agreement accordingly so as to provide the most expeditious direct through one-plane service. It is the intention of the parties that, within the limitations which may be necessary by reason of Panagra's operations over its own route, through flight schedules and turnarounds shall be arranged to assure maximum utilization by PAA of Panagra's aircraft chartered by PAA pursuant to this agreement.

[fol. 1783] (b) The parties will instruct their respective personnel to cooperate in arranging and adjusting from time to time as occasion may arise reasonable and sound procedures for meeting traffic and operating problems that may arise in respect of any particular flight by reason of through flights arriving at the Canal Zone northbound or southbound unduly delayed. Due consideration shall be given in this connection to the purpose of this agreement to provide through one plane service for traffic between the continental United States and points on Panagra's certificated route in South America.

5. *Panagra Aircraft and Crews to be Operated under Agreement.* (a) The Panagra aircraft to be operated over PAA's routes under charter to PAA pursuant to this agreement shall be operated with Panagra's flight crews and cabin attendants. All Panagra aircraft so operated shall be properly licensed for operation over such routes and all of said flight crews shall be fully licensed for operation on the aircraft and over the routes required. Panagra will furnish PAA with all data required for the inclusion of such aircraft and flight crews in PAA's air carrier operating certificate, and the parties will cooperate generally in accomplishing this result.

(b) The aircraft which shall be tendered by Panagra for operation under charter by PAA pursuant to this agreement shall be of a modern type capable of carrying on the services herein contemplated a reasonable load, at competitive speeds, and with equivalent accommodations and comfort-level, all measured in the light of the aircraft types currently being operated by other American-flag airlines over routes of similar length and characteristics.

(c) PAA shall have a right to inspect any aircraft tendered by Panagra for operation pursuant to this agreement before accepting same and may refuse to operate any aircraft tendered which is not in satisfactory operating condition in the light of regulations of the Civil Aeronautics Authority and prevailing airline standards.

[fol. 1784] 6. *Responsibility for Operations on PAA Routes.* PAA shall have full responsibility for and control over the operation of Panagra's aircraft over PAA's routes as provided in this agreement. PAA's responsibility for such operation, without limiting the generality of the foregoing, shall include responsibility for operation dispatch, flight plane clearance, radio plane guard and "in flight" instructions and all communications, navigation and weather facilities and services, and also for loading and discharge of airplanes, handling of traffic, and passenger service. PAA undertakes to furnish in connection with such operations adequate and efficient ground facilities and personnel, to conduct such operations in accordance with approved and modern standards which shall in no event be lower than those provided in the case of its own aircraft, and to treat Panagra's aircraft on a basis of complete equality with its own aircraft.

7. *Maintenance and Overhaul.* (a) PAA shall undertake and perform at convenient maintenance bases in the continental United States all major overhaul of flight equipment owned by Panagra of the same or similar type as the flight equipment chartered by PAA under this agreement, and such other maintenance and overhaul of other types of flight equipment as Panagra may request from time to time on reasonable notice. If experience indicates the desirability, from the point of view of cost, efficiency or service to the public, of PAA's arranging for any or all of such maintenance or overhaul to be done by third parties or of Panagra's making other arrangements for the performance of any or all such maintenance and overhaul in the continental United States, PAA and Panagra will join in developing plans whereby this may be accomplished.

(b) PAA will also furnish to Panagra's aircraft operated over PAA's routes pursuant to this agreement, air-

plane and engine inspection and on-line maintenance service.

(c) The maintenance, overhaul and inspection services furnished Panagra by PAA pursuant to this agreement shall not be less in character, quality or extent than the [fol. 1785] service given by PAA or Panagra to their aircraft or as may be required from time to time under the standards of the Civil Aeronautics Authority.

(d) Panagra may station a reasonable number of its employees at maintenance bases of PAA at which maintenance and overhaul of Panagra's flight equipment is being performed pursuant to this paragraph for purposes of expediting and general coordination, and PAA will furnish to such employees reasonable office facilities and access to the work.

8. *Training.* At the request of Panagra, PAA will join with Panagra in developing plans whereby Panagra's pilots or other personnel (whether to be engaged in the charter service or otherwise) may be trained in any training centers in the continental United States operated by PAA, PAA to be compensated for such training on bases to be arranged from time to time.

9. *Preference for Through Traffic.* Since the purpose of the through flights to be made with Panagra aircraft under charter to PAA pursuant to this agreement is primarily to accommodate traffic between the continental United States and points on Panagra's route in South America, PAA and Panagra shall book and route such traffic via such aircraft to the fullest extent practicable. In order to give such traffic precedence over any other traffic to be carried by such aircraft, it is agreed that in the case of all northbound and southbound through flights operated over PAA's routes pursuant to this agreement, Panagra shall, from time to time, request PAA to block off until a reasonable time prior to departure a specific number of seats and a designated amount of mail and cargo capacity which will be designed to accommodate the through traffic reasonably expected, and will itself block off for the through flights on its own route a number of seats and amount of



mail and cargo capacity reasonably related to the seats and amount of capacity which it shall have requested PAA to block off, and the parties shall arrange their reservations control accordingly. If experience over a reasonable time indicates that the seats or capacity so blocked off unduly [fol. 1786] exceed the through traffic actually carried, the parties will take appropriate action to prevent non-utilization of capacity, with due regard, however, for the requirements of through traffic destined to or originating at points on Panagra's certificated route. Subject to the foregoing, it is the intention of this agreement that PAA will route local and way-to-way traffic on the aircraft under charter to PAA pursuant to this agreement in the same manner as it does on its schedule operated with its own aircraft.

10. *General Sales Agency of PAA for Panagra.* (a) PAA shall continue to act as general sales agent for Panagra (with the right to appoint sub-agents), in the United States and in all other parts of the world except the countries of South America served by Panagra and Panama City, Panama. PAA shall use its best efforts to promote and develop traffic for Panagra, both in the United States and elsewhere, without discrimination and on the same basis on which it promotes and develops traffic over its own routes.

(b) If at any time Panagra presents to PAA evidence reasonably indicating that any employee of PAA shall have diverted or attempted to divert any traffic intended for transportation over Panagra's routes or on the through flights operated pursuant to this agreement, or shall have withheld information as to the availability of Panagra's services from any person seeking such transportation, Panagra shall cooperate with PAA as to the establishment by the latter of adequate disciplinary machinery for preventing further conduct of the type indicated.

(c) Panagra shall from time to time indicate to PAA methods and procedures which Panagra desires to have established by PAA or PAA's sub-agents in connection with the selling, handling or servicing of traffic to be carried over Panagra's certificated route. PAA will put such methods

and procedures into effect wherever practicable. If after full consideration such methods or procedures appear to PAA to be undesirable or impracticable, PAA shall use its best efforts to work out with Panagra substitute methods and procedures designed to accomplish the results which Panagra is seeking.

[fol. 1787]. (d) PAA will designate W. R. Grace & Co. and its qualified affiliated companies as sub-agents for the sale of Panagra traffic in the area for which PAA shall act as general sales agent.

11. *Panagra Display and Representation at Airports and Ticket Offices.* (a) PAA will cause the name "Pan American-Grace Airways, Inc." and, if Panagra shall so request, the name "Panagra", in such form as Panagra may determine, and the Panagra-insignia in the form as presently in use, to be displayed on traffic counters at all airports in the continental United States to which Panagra's aircraft may be operated under charter to PAA pursuant to this agreement. At any such airport Panagra may, if it determines the same to be necessary or desirable, employ a reasonable number of personnel to assist in the handling of traffic arriving or departing from or to points on Panagras certificated route. Persons so employed shall have reasonable access to PAA's space and facilities at such airports.

(b) PAA will cooperate with Panagra to assure that adequate space and personnel are available to PAA's city ticket offices for the efficient handling of traffic originating at or destined to points on Panagra's certificated route or which proceeds via the through flights provided in this agreement.

At least one responsible employee of PAA working full time in PAA's city ticket offices in New York, Chicago, Washington and in any other place in the continental United States to which Panagra's aircraft shall be operated pursuant to this agreement shall be appointed by PAA and serve subject to the approval of Panagra, which approval shall not be unreasonably withheld. Such employee shall among other duties be particularly charged with the duties

of promoting the sale of Panagra traffic and of facilitating and improving the handling of Panagra traffic and traffic routed via the through flights provided in this agreement. Such employee shall regularly keep Panagra fully advised through procedures approved by PAA of all matters relating to such traffic.

PAA will use its best efforts to encourage and bring about the fullest cooperation between its United States sales offices and Panagra's traffic department.

[fol. 1788] At all of PAA's city ticket offices in the continental United States there shall be available at all times full information as to the routes operated by Panagra and the through flights provided by Panagra aircraft under charter to PAA, and the name "Pan American-Grace Airways, Inc." and, if Panagra shall so request, the name "Panagra", in such form as Panagra may determine, and the Panagra insignia in the form as presently in use, shall be held out to the public by display or otherwise.

(c) Panagra's right to utilize the word "Panagra", in such form as it may determine, as a trade name for all purposes it may deem fit is hereby acknowledged by PAA. Nothing in this agreement shall prevent PAA, in its system advertising or otherwise, from referring to Panagra as "Pan American-Grace Airways, Inc."

12. *Tickets and Documentation; Through Rates.* (a) All tickets or other documents relating to transportation to be performed by Panagra's aircraft being operated under charter to PAA pursuant to this agreement shall show that such transportation is being made via PAA and, to such extent as practicable, passenger tickets shall show that such transportation is being made with Panagra aircraft.

(b) PAA and Panagra will establish through rates for services over their respective certificated routes between all principal points as may be required and revenue therefrom will be divided on a mileage flown basis or such other basis as may be agreed.



(c) PAA, by one or more qualified employees, shall continue to act as tariff and schedule publishing agent for Panagra.

13. *Further Agreements.* (a) Within a reasonable time after the inauguration of through flights pursuant to this agreement, PAA and Panagra will negotiate with the objective of entering into an agreement, subject to the approval of the Civil Aeronautics Board, for sharing, in the light of the services offered by the parties and the mileage operated by each of them, all revenues arising out of transportation by each of them, both northbound and [fol. 1789] southbound, of passengers, air express, cargo and mail (other than United States mail) originating in or routed through the continental United States and destined to Buenos Aires, Argentina, and/or Montevideo, Uruguay, and vice versa.

(b) If either party shall be of the opinion that technical and traffic developments in the field of air transportation would make advantageous the operation of non-stop flights between a point or points in the continental United States on the certificated routes of PAA and any point or points on the certificated route of Panagra in Ecuador, Peru, Chile, or Argentina, the parties will negotiate with the objective of making a further agreement which will permit the operation of such flights (for the account and under the control of PAA north of the latitude of Balboa and for the account and under the control of Panagra south of such latitude), subject to compliance with all applicable laws and regulations and to the approval of the Civil Aeronautics Board.

(c) If, after reasonable efforts, the parties are unable to negotiate either of the agreements contemplated by subparagraphs (a) or (b), the terms of such agreement shall, on the request of either party, be settled by arbitration as provided in Paragraph 25.

14. *Advertising and Publicity.* The name "Pan American-Grace Airways, Inc." and, if Panagra so desires, the name "Panagra", in such form as Panagra may determine, and the Panagra insignia in the form as presently in use,

shall appear on the exterior of all airplanes chartered to PAA under this agreement in addition to an appropriate statement inside the airplane informing the public that the airplane is a Panagra airplane under charter to PAA. PAA will advertise and otherwise publicize that through one plane service is afforded over PAA's and Panagra's routes between the continental United States and points on Panagra's certificated route in South America. Panagra will advertise and otherwise publicize that such service is afforded with Panagra aircraft over Panagra's and PAA's routes. In this connection PAA and Panagra will work out [fol. 1790] from time to time appropriate programs for advertising the through service afforded under this agreement as well as the services afforded by Panagra on its certificated route in South America and will establish the relative contributions to such advertising to be made by Panagra and PAA.

15. *Liability to third parties.* PAA will indemnify Panagra and hold it harmless in respect of any liability (other than to employees of Panagra who are not travelling as passengers on aircraft operated pursuant to this agreement) arising or claimed to arise as a result of the operation of Panagra's aircraft over PAA's certificated routes as provided in this agreement. PAA will carry passenger and public liability and property damage insurance policies covering risks attendant upon the operation of Panagra's aircraft over PAA's certificated routes to the same extent and on the same basis as for operations conducted by its own aircraft and will cause Panagra to be included as a party insured. Panagra will indemnify PAA and hold it harmless from claims of Panagra employees arising or claimed to arise as a result of the operation of Panagra's aircraft over PAA's certificated routes as provided in this agreement (except employees travelling as passengers) and will carry appropriate policies of workmen's compensation insurance with respect to such employees. All indemnities herein shall include related costs and expenses.

16. *Risk of Loss of Aircraft.* Panagra shall be responsible for loss of or damage to its aircraft or other property while under charter to PAA pursuant to this agreement.

except as hereinafter provided. Unless otherwise agreed, Panagra shall carry appropriate insurance providing against loss of or damage to such aircraft or other property while under charter to PAA, with the same coverage as that carried by Panagra for similar property while in Panagra's possession, and will cause PAA to be included as a party insured. Except in the case of risks as to which Panagra is so obligated to insure, PAA shall be liable to Panagra for loss of or damage to Panagra's aircraft or [fol. 1791] other property while under charter to PAA pursuant to this agreement if such loss or damage arises out of gross negligence on the part of PAA or its employees. If there should arise operating conditions peculiar to the routes of PAA over which Panagra's aircraft are operated pursuant to this agreement which the parties agree require Panagra to carry insurance against risk of loss of its property while under charter to PAA by reason of war risk, riots, strikes or civil commotion, such insurance may be carried by Panagra and the cost thereof included as a direct cost chargeable to PAA.

17. *Financial Provisions.* (a) As compensation for the flight equipment and flight crews furnished by Panagra for operation under charter to PAA pursuant to this agreement, PAA shall pay to Panagra an amount representing (1) reimbursement of all direct costs incurred by Panagra in such operation, and a reasonable proportion of such indirect costs of Panagra as are fairly attributable to such operation, and (2) a fair rate of return on the investment of Panagra used in or useful for such operation.

The payments so to be made by PAA to Panagra shall be determined initially in accordance with the detailed provisions of Annex 1 hereto attached.

If either party shall be of the opinion that the detailed provisions for payment by PAA to Panagra in effect at any time do not properly carry out the intent of this subparagraph (a) or are operating unfairly or inequitably, such party may request review of such provisions. The parties will thereupon negotiate in an effort to adjust such provisions and in the event of their inability to agree the

matter will be arbitrated as provided in paragraph 25. Pending any such negotiation or arbitration, payments shall continue on the basis theretofore in effect, subject to such agreement or award as may ultimately be made.

(b) Panagra will pay PAA for maintenance and overhaul of Panagra's flight equipment performed by PAA pursuant to paragraph 7 of this agreement, an amount representing (1) reimbursement of all of PAA's costs for direct labor and materials used in such maintenance or overhaul and a [fol. 1792] reasonable proportion of PAA's indirect or burden expenses applicable thereto (distributed on the basis of direct labor costs) and (2) a fair rate of return on so much of PAA's investment in maintenance and overhaul facilities, flight equipment spare parts and assemblies and working capital as may be properly allocable to such maintenance and overhaul performed by PAA for Panagra. The parties will from time to time agree upon such detailed provisions as may be appropriate to establish the amount of such payments.

The costs to be reimbursed by Panagra to PAA pursuant to this subparagraph (b) shall be the direct and indirect expenses of the type presently set forth in accounts 401-408 and 421-428 inclusive of the Civil Aeronautics Board's Uniform System of Accounts for International Air Carriers. Amounts payable by Panagra to PAA pursuant to this subparagraph (b) shall, to such extent as appropriate, be reflected in the billings by Panagra to PAA for charter flights performed by Panagra pursuant to this agreement as set forth in subparagraph (a) hereof.

If, in pursuance of its obligations under subparagraph (a) of paragraph 7 of this agreement, PAA shall have acquired maintenance equipment or facilities specially designed for the maintenance or overhaul of flight equipment of Panagra of a type different from any of PAA's flight equipment which is or could practicably be maintained at the same maintenance base and if Panagra shall cease to utilize such special maintenance equipment or facilities prior to the date when the same shall have been depreciated to the residual value thereof in accordance with recognized

standards as to depreciation rates, then, unless Panagra shall elect to purchase such maintenance equipment or facilities at their depreciated value, PAA will sell such maintenance equipment or facilities at the best price obtainable and the difference between the price so obtained (less any expenses of sale) and the depreciated value thereof shall be paid by Panagra to PAA in the case of a deficiency or paid to Panagra by PAA in the case of an excess.

(c) Each of the parties will render to the other as soon as possible after the end of each calendar month bills for the payments due under this agreement with respect to such [fol. 1793] month. Such bills shall be paid within fifteen (15) days after receipt. Unless otherwise agreed, billings during any calendar year shall be on a cumulative basis for purposes of periodic payment and shall be subject to adjustment from time to time prior to the close of the accounts at the end of the calendar year.

(d) References in this paragraph and in Annex 1 to payment of a fair rate of return shall mean such rate as is required to yield, after taxes, the rate of return on investment, after taxes, allowed by the Civil Aeronautics Board in fixing mail pay compensation in accordance with the provisions of the Civil Aeronautics Act for the particular carrier whose investment is involved. It is contemplated that while such rate of return will vary from time to time, the rate of return payable under this agreement shall at all times be equal to the rate of return currently in effect under decisions of the Board. If the Board has not determined mail pay compensation by fixing a rate of return on investment or if for any other reason the foregoing provisions shall not result in establishing a rate of return for the purposes of this agreement, then the rate of return payable hereunder shall be fixed by mutual agreement and in the event of failure to agree shall be arbitrated under paragraph 25 hereof.

(e) If it shall develop in the course of operations under this agreement that either party is utilizing major items of property owned by the other which have been fully depreciated on the books of the owner without the user



having contributed its proportionate share of the full depreciation, the parties will negotiate provisions for appropriate payments for the use of such property. In the event of their failure to agree, the matter shall be arbitrated under paragraph 25 hereof.

(f) Either party shall have such access to the books, records and accounts of the other as may be reasonably required to verify billings under this agreement.

18. *PAA to Maintain Certificates in Good Standing.* Except with Panagra's written consent PAA will not transfer or abandon any of its certificates covering routes over [fol. 1794] which Panagra aircraft may be operated under charter to PAA pursuant to this agreement or seek to modify such certificate or certificates in any manner which would prevent or adversely affect the operations contemplated hereunder.

19. *Representation of Panagra in Questions Related to this Agreement.* PAA agrees that any action to make any claim, to take any position, or to enforce any rights of Panagra under this agreement may be taken on behalf of Panagra by its President; provided, however, that the foregoing shall not be deemed to withdraw from the Board of Directors of Panagra its function of determining independently of this agreement such questions of general business policy relating to the conduct of Panagra's affairs (such as the purchase of equipment, the establishment of equipment reserves and the fixing of depreciation rates) as are determined by a board of directors in accordance with law or normal corporate practice.

20. *Proceedings for Approval; Effective Date.* (a) PAA will forthwith file application with the Civil Aeronautics Board for approval of this agreement. The parties will use their best efforts to obtain such approval as expeditiously as possible. If the Board shall impose conditions upon its approval of this agreement or shall suggest modifications in the same but within the general framework hereof, the parties undertake to negotiate in an effort to meet all such conditions and suggestions.

(b) Except for Paragraph (a) of this Paragraph 20 and Paragraph 22, which shall become effective immediately, this agreement shall become effective only upon the entry of an order by the Civil Aeronautics Board approving the same and upon said order becoming final.

21. *Term.* As between the parties, this agreement shall be for a term of 99 years from the date upon which it shall have become effective; except that it may be sooner terminated as hereinafter provided:

(a) If at any time subsequent to December 31, 1948, Panagra shall consider that this agreement is not satisfactory [fol. 1795] because of failure by PAA promptly and adequately to perform any of PAA's obligations under this agreement (including without limitation, such matters as failure to establish the proper schedules for flights under this agreement, failure to handle flights under this agreement in such manner that the schedules shall be duly and punctually performed, failure properly to maintain and overhaul Panagra's aircraft used in the service performed under this agreement, or failure to discharge the provisions of this agreement with respect to the selling and handling of traffic) in such manner as to promote the fullest development of through traffic between the continental United States and points on Panagra's certificated route in South America within the spirit and intent of this agreement, Panagra may give notice to PAA stating the respect in which it considers PAA's performance to be unsatisfactory. Thereupon Panagra and PAA will negotiate in an endeavor to see whether the views of Panagra can be met. If such negotiations shall not succeed within thirty (30) days, reference shall be had to arbitration as provided in paragraph 25 to determine whether Panagra's dissatisfaction is reasonable and, if so, what measures should be taken to meet Panagra's views. If such arbitration determines that Panagra's dissatisfaction is reasonable, PAA shall be bound to take the action recommended by the arbitrators and thereafter diligently proceed with the same. If PAA shall fail to do so, Panagra may thereupon cancel this agreement upon three (3) month's notice, but such right of cancellation shall not exclude any other remedy.

(b) If at any time subsequent to December 31, 1948, PAA shall be of the opinion that Panagra's services are not consistent with recognized standards of other United States flag air carriers operating outside the continental limits of the United States in any particular which for a substantial period of time unreasonably interferes with the efficient conduct of the through flights over PAA's routes, PAA may give notice to Panagra stating the respects in which it considers such services to be unsatisfactory. Panagra and PAA will thereupon negotiate in an effort to see whether the views of PAA can be met. If such negotiations shall not succeed within thirty (30) days, reference shall [fol. 1796] be had to arbitration as provided in paragraph 25 to determine whether PAA's dissatisfaction is reasonable and, if so, what measures should be taken to meet PAA's views. If such arbitration determines that PAA's dissatisfaction is reasonable, Panagra shall be bound to take the action recommended by the arbitrators and thereafter diligently proceed with the same. If Panagra shall fail to do so, PAA may thereupon cancel this agreement upon one (1) year's notice, but such right of cancellation shall not exclude any other remedy.

22. *Non-prejudice.* If this agreement is not approved by the Civil Aeronautics Board or for any other reason does not become effective or if, having become effective, this agreement should be terminated or canceled, the negotiation and the terms of this agreement and all applications filed and acts done hereunder shall be without prejudice to the rights or future position of any of the parties.

23. *Construction.* (a) It is the intention of the parties that within the general framework and conception of this agreement, the various provisions shall be broadly and liberally construed to accommodate technical, commercial, international and regulatory developments in the field of air transportation to the end that through traffic will be handled at maximum efficiency and in a manner to meet changing competitive conditions.

(b) Nothing in this agreement shall be deemed to require either of the parties to take any action in violation of any applicable law, regulation, or order.



(c) This contract shall be construed in accordance with the laws of the State of New York.

(d) The various headings herein and the grouping of the provisions of this agreement into separate paragraphs shall not be construed to limit or restrict the meaning or application of any provision hereof, and are for the purpose of convenience only.

(e) The parties will formulate procedures for evidencing the delivery of flight equipment by Panagra to PAA for operation under this agreement and the return of such flight [fol. 1797] equipment by PAA to Panagra. All provisions of this agreement with respect to liability, risk or loss, etc. shall date from the delivery or return of flight equipment as shown in such evidence.

24. *Notice.* Notice to PAA wherever provided in the agreement shall be given in writing by registered letter addressed President, Pan American Airways, Inc., Chrysler Building, New York, New York, or in such other manner or to such other address as PAA may designate to Panagra in writing. Notice to Panagra wherever provided in the agreement shall be given in writing by registered letter addressed President, Pan American-Grace Airways, Inc., 7 Hanover Square, New York, New York, or in such other manner or to such other address as Panagra may designate to PAA in writing. Notice shall not be considered given until the date when the same shall have been received as evidenced by the Post Office return receipt or, if the addressee shall have refused to accept the registered notice, the date on which such registered notice shall have been first tendered to the addressee.

25. *Arbitration.* Any and all disputes as to the construction or operation of this agreement shall be submitted to arbitration pursuant to the rules of the American Arbitration Association having general application, in the manner hereinafter provided. The party requesting arbitration shall notify the other party naming its arbitrator in the notice. The other party shall appoint an arbitrator within ten (10) days after the receipt of such notice. Within ten

(10) days after such appointment, the two arbitrators shall appoint a third arbitrator and the decision or the award of any two of such three arbitrators shall be final, binding and conclusive upon the parties. If either party fails to appoint the arbitrator to be appointed by such party, or if the arbitrators appointed by or for the respective parties shall fail to appoint such third arbitrator, then and in either such event such then unappointed arbitrator shall be appointed by the then President of the American Arbitration Association or in the event such President shall be disqualified by reason of his association with either party or otherwise, then by the next highest ranking official of such Association. Any such arbitration shall be conducted in accordance with the law of the State of New York and [fol. 1798] held in New York City, New York, unless the parties shall otherwise agree in writing.

26. *References.* (a) All references in this agreement or in Annex 1 to the Civil Aeronautics Authority and/or the Civil Aeronautics Board shall include any Federal agency having jurisdiction similar to that now exercised by said Authority and said Board.

(b) If changes shall be made from time to time in the Civil Aeronautics Board's Uniform System of Accounts for International Air Carriers, appropriate modifications to give effect to such changes shall be made in this agreement and in Annex 1.

(c) All references to flight equipment in this agreement or in Annex 1 shall include aircraft, engines, propellers and other property as defined in said Uniform System of Accounts as presently in effect.

In Witness whereof each of the parties hereto has caused this agreement to be executed at New York, New York, in its respective corporate name and its respective corporate seal to be hereunto affixed and attested by its respective

officer or officers thereunto duly authorized as of the day and year first above written.

PAN AMERICAN AIRWAYS, INC.

By J. T. TRIPPE

J. T. TRIPPE, President

Attest

H. PRESTON MORRIS

H. PRESTON MORRIS, Secretary

PAN AMERICAN-GRACE AIRWAYS, INC.

By HAROLD J. ROIG

HAROLD J. ROIG, President

Attest

W. F. COGSWELL

W. F. COGSWELL, Secretary

[fol. 1799]

# ANNEX 1

## *Detailed Provisions for Payments by PAA to Panagra\**

### 1. *Direct Costs.*

A. PAA shall pay directly the cost of fuel used in the charter service, Accounts 358 and 359, and of clearance of aircraft while in use in the charter service, Account 371. Any amounts properly recorded by Panagra for employees' compulsory compensation, Account 369, and Social Security taxes, Account 370, insofar as the same relate to the charter service, shall be charged directly by Panagra to PAA.

PAA will reimburse Panagra for all flight costs properly recorded by Panagra for the aircraft type used in the charter service in Accounts 351-372 inclusive, 401-408 inclusive, 421-428 inclusive and 4501-4505 inclusive, such costs to be

\* All references to account numbers are to the Civil Aeronautics Board's Uniform System of Accounts for International Air Carriers presently in effect.

allocated to the charter service on the basis of the ratio of the revenue miles flown by such aircraft type in the charter service to the total revenue miles flown by such aircraft type including those flown in the charter service. If it shall appear that major items of cost recorded in such accounts are applicable only to the charter service or to Panagra's common carrier service, provision will be made for removing such costs from allocation and charging such costs directly to the charter service, if applicable thereto.

It is intended that the payments provided to be made directly by PAA and the flight costs to be allocated shall include non-revenue flights by the aircraft type used in the charter service. PAA shall determine the fuel cost, Accounts 358 and 359, incurred by it for such non-revenue flights and charge Panagra for this expense. Panagra shall determine the fuel cost, Accounts 358 and 359, for such flights incurred by it. PAA shall pay to Panagra a portion of the total fuel cost of non-revenue flights by such aircraft type equal to the ratio of the revenue miles flown by such aircraft type in the charter service to the total revenue miles flown by such aircraft type including those flown in the charter service.

[fol. 1800] Flight Equipment Depreciation, Accounts 4501 to 4506, shall be computed in accordance with Panagra's rates, or in the event such rates are not satisfactory to PAA, at rates to be mutually agreed upon by the two companies, or, in the event of their inability to agree, to be fixed by arbitration consistently with rates generally prevailing in the international air transport industry for the type of flight equipment used in the charter service.

The shop burden of Panagra applicable to the maintenance and overhaul of the type of flight equipment used in the charter service, Accounts 421 to 428 inclusive, will be determined in accordance with the CAB Uniform System of Accounts for International Air Carriers and will be distributed on the basis of direct labor costs.

B. Panagra shall be reimbursed for passenger service direct flight costs incurred by Panagra in the charter service and charged to Account 660—Pursers, Stewards and

Stewardesses—(including appropriate provision for vacations earned while in the charter service) and related expenses in Accounts 664—Travel and Incidental Expenses, 673—Employees' Compensation and Other Insurance, and 686—Social Security Taxes, and in addition, to the extent applicable as a direct charge, costs incurred in the following accounts:

- 677—Injuries, Loss and Damage
- 685—Compulsory Compensation
- 687—Passenger Supplies and Expenses
- 688—Food Expense—Caterers
- 689—Food Expense—Company Restaurants
- 692—Interrupted Trips Expenses
- 699—Miscellaneous

C. Panagra shall be reimbursed for a portion of its costs of training flight crews (including pursers, stewards and stewardesses) not reimbursed pursuant to paragraphs A and B, to be allocated to the charter service on the basis of the ratio of the salaries of flight crews charged to the charter services to the total such salaries.

[fol. 1801] 2. *Indirect Costs.*

A. Panagra will be paid a portion of so much of the operations overhead of Panagra as consists of the office of the operations manager, the office of the chief pilot (after proper deduction for revenue flying done by him or his staff), the office of the superintendent of flying, the office of the communications superintendent, New York expenses applicable to the operations, maintenance and communications departments (including the salaries and related expenses of Panagra's United States maintenance representatives as provided in paragraph 7), and the costs of Panagra's medical department. The amount so payable shall be the amount obtained by multiplying the total of these costs by a fraction of which the numerator will be 50% of the available ton miles flown in the charter service and the denominator the total available ton miles flown in Panagra's common carrier service plus 50% of the available ton miles flown in the charter service.

B. Panagra will be paid a portion of so much of its ~~passenger service overhead as consists of the office of passenger service superintendent and the office of chief purser.~~ The amount so payable shall be the amount obtained by multiplying the total of these costs by a fraction of which the numerator will be 40% of the available ton miles flown in the charter service and the denominator the total available ton miles flown in Panagra's common carrier service plus 40% of the available ton miles flown in the charter service.

C. Panagra will be paid a portion of the costs of its financial and accounting departments (up to and including the level of the offices of assistant treasurer and assistant comptroller directly supervising the accounting under this agreement) and the cost of the personnel department located at New York. The amount so payable shall be the amount obtained by multiplying the total of these costs by a fraction of which the numerator will be 35% of the available ton miles flown in the charter service and the denominator the total available ton miles flown in Panagra's common carrier service plus 35% of the available ton miles flown in the charter service.

[fol. 1802] D. All references to available ton miles flown are to miles flown on revenue flights.

### 3. *Return on Panagra's Investment.*

Panagra shall be paid an amount representing a fair rate of return on

(i) So much of Panagra's investment (computed at cost less depreciation at rates fixed as provided in 1A above) in the type of flight equipment (Accounts 1501-1506) used in the charter flights as shall be allocable to such service on a revenue miles basis as set forth in paragraph 1A.

(ii) So much of Panagra's funds or securities earmarked and reasonably required for replacement of or additions to the type of flight equipment operated or to be operated in the charter service (not less than the funded depreciation reserve with respect thereto) as



shall be allocable to the charter service on a revenue miles basis as set forth in paragraph 1A. In case disbursement of such funds or use of the equipment purchased shall be other than as indicated by such earmarking, appropriate adjustments of prior billings under this subparagraph will be made.

(iii) So much of Panagra's working capital as shall be allocable to the charter service operated by Panagra pursuant to this agreement, to wit, three times Panagra's expenses for this operation for each month, exclusive of depreciation accruals and of amounts paid in the first instance by PAA.

(iv) So much of Panagra's investment in maintenance and overhaul facilities as shall be allocable to the flight equipment maintenance and overhaul services performed by Panagra for the charter service on the same basis as stated in paragraph 1A with respect to shop burden.

(v) So much of Panagra's investment in planes normally used for training, in link trainers and in other major items of special equipment used for the training of flight crews as shall be allocable to the charter service on the same basis stated in paragraph 1C.

[fol. 1803]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 3

[Emblem]

PANAGRA

[Handwritten notation—CAB 727]

## PAN AMERICAN-GRACE AIRWAYS, INC.

OFFICE OF THE PRESIDENT

7 HANOVER SQUARE

NEW YORK 5, N. Y.

May 28, 1947

President,  
Pan American Airways, Inc.  
135 East 42nd Street,  
New York 17, New York

Dear Sir:


Reference is made to Paragraph 20 of the agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. dated July 30, 1946, which was approved, together with the agreement of the same date between W. R. Grace & Co. and Pan American Airways Corporation, by order of the Civil Aeronautics Board dated May 5, 1947, subject to the following four terms, conditions and modifications:

- “(1) That paragraph 13 of the through flight agreement is disapproved and shall be deleted from the agreement;
- “(2) That approval of the agreements shall be for a term of 3 years from the date of the Board's order, at which time the Board without further hearing, if deemed appropriate, may extend the approval for such period as may be desirable at that time;
- “(3) That any changes in accounting under the agreements even though considered minor by the parties shall be reported to the Board through the Economic Bureau in accordance with section 407 of the Act;

- (4) That agreements in relation to compensation in regard to agency fees, training, or other matters not previously agreed upon in the through flight agreement shall be filed with the Board in accordance with section 412 of the act."

This is to advise that Pan American-Grace Airways, Inc. considers the above within the general framework of the agreement between it and Pan American Airways, Inc. and proposes that said agreement, as modified by paragraph (1) above and subject to the terms and conditions stated in paragraphs (2), (3) and (4) above, shall become effective immediately.

Please indicate your acceptance and concurrence by signing and returning the attached duplicate copy of this letter.

Very truly yours, 

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ HAROLD J. ROIG  
Harold J. Roig

Accepted:

PAN AMERICAN AIRWAYS, INC.

By .....  
President

[fol. 1804]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 4

W. R. GRACE & CO.

7 Hanover Square, New York 5, N. Y.

Office of the President

May 28, 1947

Pan American Airways Corporation  
Wilmington, Delaware

Gentlemen:

Reference is made to the letter of even date addressed by Pan American-Grace Airways, Inc. to Pan American

Airways, Inc. placing the agreement between these parties, dated July 30, 1946, in effect immediately, subject to the terms, conditions and modifications ordered by the Board. We are writing to note our ratification of that letter.

We wish also to confirm our understanding that the agreement dated July 30, 1946 between W. R. Grace & Co. and Pan American Airways Corporation shall become effective immediately except as to the provisions of Paragraph 6 which shall become effective only upon the order of the Board dated May 5, 1947 becoming final or such earlier date as may be agreed upon.

Will you kindly note your ratification of the letter between Pan American Grace Airways, Inc. and Pan American Airways, Inc. referred to above and your concurrence in this letter by signing the attached duplicate.

Very truly yours,

W. R. GRACE & Co.

By /s/ J. P. GRACE, JR.  
President

Accepted:

PAN AMERICAN AIRWAYS CORPORATION

By /s/ J. T. TRIPPE  
President

[fol. 1805]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 5

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CONFORMED COPY

Supplement No. 2

TO

## THROUGH FLIGHT AGREEMENT

BETWEEN

PAN AMERICAN AIRWAYS, INC.

AND

PAN AMERICAN-GRACE AIRWAYS, INC.

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DATED JANUARY 9, 1948

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[fol. 1806]

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 2

AGREEMENT made and entered into this 9th day of January, 1948, by and between PAN AMERICAN AIRWAYS, Inc., a New York corporation (hereinafter called "PAA"), and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation (hereinafter called "Panagra"):

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946 (hereinafter referred to as the "Through Flight Agreement") and to a letter agreement dated May 28, 1947, with respect thereto; and

WHEREAS, the parties desire to supplement and amend the Through Flight Agreement as herein set forth;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

28. The letter agreement dated May 28, 1947 between PAA and Panagra is hereby designated "Through Flight

Agreement—Supplement No. 1<sup>st</sup> and is assigned the paragraph number 27. Unless otherwise agreed, all further amendments of the Through Flight Agreement shall be designated "Through Flight Agreement—Supplement No. " and shall be consecutively numbered, and their paragraphs shall likewise be numbered in continuous sequence. The parties will prepare and distribute to their respective staffs, for working purposes, copies of the Through Flight Agreement as from time to time supplemented and revised. Except where otherwise expressly stated, this Supplement No. 2 shall be effective as of 0:01 A. M., E. S. T., May 31, 1947.

29. Charges to Panagra pursuant to paragraph 8 of the Through Flight Agreement for training shall, until further notice, be at the following rates:

*Miami Schools*

Mechanics .....	1.1156 (Dollars per hour)
Meteorologists .....	1.2906
Navigators .....	.9320
Radio .....	1.2244
Station Manager .....	1.7399
Link .....	6.3142
Pilot .....	16.3218

[fol. 1807] *Miami Aircraft*

C-47 .....	41.6864
DC-3 Cargo .....	73.4179
DC-3 Passenger .....	71.5699
C-54 Trainer .....	107.9692
C-54 Cargo .....	146.6863
C-54 Passenger .....	169.8414

Note: Flight training charges per hour are the sum of the school rate and the aircraft rate for the type aircraft used.

If either PAA or Panagra shall no longer regard the above rates as fair and equitable, such party shall give written notice to the other; provided, however, that the first such notice may not be given prior to January 1, 1948, and that



no notice may be given less than six months after a new rate shall have been established. The parties will thereupon endeavor to agree upon new rates, failing which the matter shall be arbitrated as provided in paragraph 25. Unless otherwise agreed, any new rates established as a result of such notice shall be effective as from the first day of the month following that in which notice was given.

30. Pursuant to paragraph 12(b) of the Through Flight Agreement it is agreed that, until further agreement of the parties, revenues from through rates shall be divided as set forth in Annex 3.

31. Pursuant to paragraph 14 it has been agreed that for the calendar year 1947 PAA and Panagra will share the costs of special advertising of the through flight service within the total budgeted for expenditure by the respective companies, in the proportion of 31½% to PAA and 68½% to Panagra.

32. Paragraph 15 of the Through Flight Agreement is amended to read as follows:

"15. *Liability to third parties.* (a) PAA will indemnify Panagra and hold it harmless in respect of any liability (other than to Panagra's flight employees including stewards and stewardesses engaged in the operation of Panagra's aircraft) arising or claimed to [fol. 1808] arise as a result of PAA's possession of Panagra's aircraft. PAA shall be deemed to be in possession of Panagra's aircraft (1) in the case of aircraft turned over to PAA for operation on through flights under this agreement, from the time when such aircraft is so turned over to PAA by Panagra until the time when such aircraft is returned to Panagra, and (2) in the case of aircraft turned over to PAA for maintenance, from the time when such aircraft is turned over to PAA at one of the latter's maintenance bases until the time when such aircraft is returned to Panagra; except, in either case, for non-revenue or other special flights during such period made at the instance and request of Panagra. PAA will carry passenger and

public liability and property damage insurance policies covering risks attendant upon the foregoing to the same extent and on the same basis as in the case of its own aircraft and will cause Panagra to be included as a party insured.

"(b) Panagra will indemnify PAA and hold it harmless (1) in respect of any liability arising or claimed to arise as a result of the operation of Panagra's aircraft except when such aircraft shall be in the possession of PAA, and (2) from all claims of Panagra's flight employees including stewards and stewardesses engaged in the operation of Panagra's aircraft. Panagra will carry appropriate policies of public liability and property damage insurance covering the risks against which it agrees to indemnify PAA under clause (1) hereof and will cause PAA to be included as a party insured, and will carry appropriate policies of workmen's compensation insurance with respect to the employees referred to in clause (2) hereof.

"(c) All indemnities herein shall include related costs and expenses.

"(d) No employees of Panagra shall be permitted to travel on Panagra's aircraft operated over PAA's certificated routes as provided in this Agreement except (1) when holding an appropriate PAA ticket or pass; or (2) as members of the flight crew as specified in the Civil Aeronautics Administration's operating specifications, or as stewards or stewardesses. Subject to payload permitting, and to applicable regulations of the Civil Aeronautics Administration, Panagra flight crew personnel may travel without charge as additional members of the flight crew on flights of Panagra's air-[fol. 1809] craft over PAA's certificated routes pursuant to this Agreement when traveling for training to be conducted by PAA pursuant to paragraph 8 of this Agreement, but all such employees shall be deemed for the purposes of this paragraph 15 to be Panagra's employees engaged in the operation of Panagra's aircraft."

33. Paragraph 16 is amended as follows:

(1) By striking from the first sentence the words "while under charter to PAA pursuant to this agreement" and substituting the words "at all times".

(2) By striking from the second and fourth sentences the words "while under charter to PAA" and substituting the words "while in PAA's possession".

(3) By striking out from the third sentence the words "while under charter to PAA pursuant to this agreement" and substituting the words "while in PAA's possession".

34. Paragraph 17 is amended by adding the following at the end thereof:

"(g) For accounting purposes the Through Flight Agreement shall be deemed to have become effective as of 0:01 A. M., E. S. T., May 31, 1947. Billings for the through flights performed on May 31, 1947 will be made on the basis of one-thirtieth of the costs for June, 1947.

"(h) Route mileages to be used in determination of Revenue Miles Flown and Available Ton Miles as referred to in the Agreement, will be those effective as shown in *C. A. B. Mileage Booklet No. 2 (Revised), Airport to Airport Mileages Over International Routes and Overseas Routes of Certificated Air Carriers* and in any revisions thereof.

"(i) Special services not covered by this agreement rendered by PAA to Panagra, on the written request of Panagra's authorized representatives, at PAA's bases in the United States (e. g., physical examinations and other services being rendered by PAA's medical department) shall be billed at rates to be established forthwith by mutual agreement upon the commencement of such services.

[fol. 1810] "(j) To the extent that Panagra shall require passenger service equipment to be maintained at

any of PAA's bases in the continental United States for use in Panagra's aircraft engaged in the charter service or in other Panagra aircraft being maintained or overhauled by PAA, Panagra will cause the necessary stock of such equipment to be made available to PAA at such base at Panagra's expense. PAA will provide suitable space for the storage of such equipment and will accord to such equipment the same treatment as to other equipment held by PAA, but any shortages or overages in such equipment shall be for Panagra's account."

35. Annex 1 of the Agreement is amended to read in the form attached hereto as Annex 1-A.

36. Paragraph 17(b) of the Through Flight Agreement is amended by striking out the first two paragraphs thereof and substituting the following:

"(b) Panagra will pay PAA for maintenance and overhaul of Panagra's flight equipment performed by PAA pursuant to paragraph 7 of this Agreement an amount representing (1) reimbursement of all of PAA's costs for direct labor and materials used in such maintenance or overhaul and a reasonable proportion of PAA's indirect or burden expenses applicable thereto; (2) a fair share of depreciation expense incurred by PAA with respect to flight equipment spare parts and assemblies maintained by PAA at the base or bases where Panagra's flight equipment is maintained or overhauled and used in or useful for such maintenance or overhaul; and (3) a fair rate of return on so much of PAA's investment in maintenance and overhaul facilities, flight equipment spare parts and assemblies, and working capital, as may be properly allocable to maintenance and overhaul performed by PAA for Panagra. The payments so to be made by Panagra to PAA shall be determined initially in accordance with the detailed provisions of Annex 2 hereto attached. If either party shall be of the opinion that the detailed provisions for payment by Panagra to PAA in effect at any time do not properly carry out the intent of this subparagraph

(b) or are operating unfairly or inequitably, such party may request review of such provisions and thereupon [fol. 1811] proceedings will be taken in the same manner as set forth in paragraph 17(a) hereof. Amounts payable by Panagra to PAA pursuant to this subparagraph (b) shall, to such extent as appropriate, be reflected in the billings by Panagra to PAA for charter flights performed by Panagra pursuant to this Agreement as set forth in subparagraph (a) hereof.

"If, in pursuance of its obligations under subparagraph (a) of paragraph 7 of this Agreement, PAA shall require flight equipment spare parts and assemblies specially designed for Panagra's flight equipment of a type different from any of PAA's flight equipment which is maintained at the same maintenance base, Panagra will cause an adequate inventory of such flight equipment spare parts and assemblies to be delivered to PAA at such maintenance base at Panagra's expense, and to replenish such inventory as may be required from time to time. Title to such inventory shall remain in Panagra. PAA agrees to provide suitable space for the storage of such inventory and to accord to it the same treatment as is accorded to other inventory held by PAA, but any shortages or overages in such inventory shall be for Panagra's account. If such inventory relates to a type of flight equipment used in the charter service, the shortages or overages shall, notwithstanding any other provision of this Agreement or of any Annex thereto, be prorated between Panagra and PAA on the basis of the ratio of the revenue miles flown by such flight equipment in the charter service to the total revenue miles flown by such flight equipment."

37. Paragraph 17(d) is amended, by adding the following at the end thereof:

"Wherever payments by PAA to Panagra or by Panagra to PAA include the provision of an element of return on investment, such return for the year 1947 shall be calculated as follows:

"(a) For the purposes of billing, it will be tentatively assumed that the rate of return after taxes allowed by the Civil Aeronautics Board in fixing mail pay compensation is 10% per annum; that Panagra, as a Western Hemisphere trading corporation, is subject to Federal income tax at an effective rate of 24%; and that PAA is subject to Federal income tax at an effective rate of 38%;

[fol. 1812] "(b) Accordingly, Panagra billings to PAA will include 13.16% on investment where applicable and PAA billings to Panagra will include 16.13% on investment where applicable—in both cases to net 10%;

"(c) These billings will be altered if it should be determined that in 1947 Panagra will not be taxable as a Western Hemisphere trading corporation."

38. Paragraph 17(e) of the Through Flight Agreement is amended by adding the following at the end thereof:

"If either party, under accounting procedures consistent with applicable regulations of the Civil Aeronautics Board, shall make retroactive changes in depreciation accruals with respect to property in respect of which the other shall have made payments on account of depreciation, proper adjustments shall be made."

39. Paragraph 23(e) of the Through Flight Agreement is amended to read as follows:

"(e) The parties will formulate procedures for the delivery of receipts to evidence the transfer of possession of Panagra's aircraft from Panagra to PAA and the return of such possession from PAA to Panagra."

40. The first sentence of paragraph 24 of the Through Flight Agreement is amended to read as follows: "Notice to PAA wherever provided in the Agreement shall be given in writing by registered letter addressed to Erwin Bal-



luder, Vice President, Pan American Airways, Inc., Chrysler Building, New York, N. Y., or in such other manner or to such other address as PAA may designate to Panagra in writing." Paragraph 24 is further amended by adding at the end thereof: "Notwithstanding the foregoing provisions of this paragraph, notice may likewise be given in writing by letter delivered to the person designated to receive notice as aforesaid, provided a receipted copy is secured."

This amendment shall be effective as of the date hereof.

41. Paragraph 26(b) of the Through Flight Agreement is amended by striking out the word "International".

[fol. 1813] 42. Any amounts payable by PAA to Panagra or by Panagra to PAA in the settlement of their respective accounts, whether arising under the Through Flight Agreement or otherwise, will be paid in United States currency.

IN WITNESS WHEREOF the parties have caused this agreement to be executed by their officers thereunto duly authorized on the day and year first above written.

(Seal)

PAN AMERICAN AIRWAYS, INC.

By E. BALLUDER

Vice-President

/s/

(Seal)

PAN AMERICAN-GRACE AIRWAYS, INC.

By H. J. ROIG

President

/s/

## ANNEX 1-A

*Detailed Provisions for Payments by PAA to Panagra\**1. *Direct Costs.*

A. 1. Charges for gasoline used in the charter service shall be accounted for as follows:

(1) PAA will advise Panagra at the close of each month of the total gallonage delivered by PAA, classified by aircraft types;

(2) Panagra will allocate to the charter service a gallonage equal to the amount obtained by multiplying the respective gallonages loaded during the month into the types of aircraft used in the charter service by a fraction of which the numerator shall be the revenue miles flown by such type in the charter service and the denominator shall be the total revenue miles flown by such type;

(3) PAA will price the amount specified in (2) at the weighted average price of the deliveries specified in (1). This amount will be retained as a cost of PAA.

(4) Any excess of the cost of the deliveries described in (1) over the cost to be retained by PAA as described in (3) will be billed by PAA to Panagra. Any excess of the cost described in (3) over the cost of the deliveries described in (1) will be credited to Panagra by PAA.

2. PAA will pay as a direct charge (1) expenses of clearance of aircraft while in use in the charter service, Account 5167, and (2) any amounts properly recorded by Panagra for employees' compulsory competition of flight crews (other than pursers, stewards, and stewardesses) recorded in Account 5174, and Social Security taxes of said em-

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\* All references to account numbers are to the Civil Aeronautics Board's Uniform System of Accounts for Air Carriers presently in effect.

ployees charged to Account 6668 in so far as the same relate to the charter service.

[fol. 1815]. 3. PAA will reimburse Panagra for all costs properly recorded by Panagra for the aircraft type used in the charter service in Accounts 5123-5180 inclusive (excluding costs of gasoline in Account 5145, gasoline taxes in Account 5169 and accounts included in the preceding paragraph 2), 5225-5227 and 5246-5248 inclusive, 5270, 5274, 5280 (except for credits arising out of charges to PAA), shop burden expenses applicable to the maintenance and stores departments charged in the accounts as set forth in paragraph 5 below, costs recorded in Accounts 5975-5977 inclusive, and 5980 (except for credits arising out of charges to PAA), cost of insurance of all kinds included in Account 6657 applicable to flight crews, and costs recorded in Accounts 6227, 6248 and 6978 applicable to Passenger Service Equipment carried in the aircraft type used in the charter service. All costs dealt with in this paragraph shall be allocated to the charter service on the basis of the ratio of the revenue miles flown by such aircraft type in the charter service to the total revenue miles flown by such aircraft type including those flown in the charter service. If it shall appear that major items of cost recorded in such accounts are applicable only to the charter service or to Panagra's common carrier service, provision will be made for removing such costs from allocation and charging such costs directly to the charter service, if applicable thereto.

4. Flight Equipment Depreciation, Accounts 5975-5977 inclusive and 5980 and Depreciation on Passenger Service Equipment, Account 6978, shall be computed in accordance with Panagra's rates, or in the event such rates are not satisfactory to PAA, at rates to be mutually agreed upon by the two companies, or, in the event of their inability to agree, to be fixed by arbitration consistently with rates generally prevailing in the international air transport industry for the type of flight equipment used in the charter service.

5. The shop burden of Panagra applicable to the maintenance and overhaul of the type of flight equipment used in

the charter service shall include shop burden expenses applicable to the maintenance and stores departments charged in Accounts 6221-6274 and solely applicable to maintenance of flight equipment and ground equipment used in connection with maintenance of flight equipment; salaries and expenses of the purchasing and cost accounting departments included in Accounts 6621-6674; insurance—public liability, property damage and general insurance expenses included in Account 6655 and applicable to the maintenance, purchasing and stores departments; cost of insurance of all kinds included in Account 6657 and applicable to the maintenance, purchasing and stores departments; payroll taxes included in Account 6668 and applicable to the maintenance and stores departments; and depreciation included in Account 6978 and applicable to the hangar, shop and ramp equipment occupied or used by the maintenance, purchasing and stores departments; and will be distributed on the basis of direct labor costs.

B. PAA will reimburse Panagra for passenger service direct flight costs incurred by Panagra in the charter service and charged to Account 6324 (including appropriate provision for vacations earned while in the charter service) and related expenses in Accounts 6328, 6336, 6374, 6380 (except for credits arising out of charges to PAA), 6657 and 6668. Expenses in the foregoing group of Accounts will be allocated to PAA in the same manner as similar accounts in the 5100 group. PAA will reimburse Panagra for passenger service direct flight costs recorded on the books of Panagra and incurred by either PAA or Panagra in the charter service and charged to Accounts 6343 and 6352.

PAA will reimburse Panagra for passenger service direct flight costs incurred by Panagra for the charter service and charged to Accounts 6353 and 6354 after proration to types of aircraft on a revenue mile basis for those costs included in the above Accounts not directly allocable to aircraft types.

All costs incurred under the charter service as described in the first two paragraphs of this paragraph B shall be prorated on the basis of the ratio of the revenue miles

flown by aircraft types in the charter service to the total revenue miles flown by such aircraft types including the revenue miles flown in the charter service.

[fol. 1817] Expenses recorded in Accounts 6351 (except for food withdrawals authorized by and for the other party), 6358 and 6367 on the books of PAA or Panagra should be absorbed by the respective Companies. Expenses in Account 6363 shall be for the account of the respective Companies in their respective areas of operation under the charter service except that expenses incurred at Balboa shall be for the account of the delivering carrier.

C. Panagra shall be reimbursed for training costs incurred in training flight crews (including pursers, stewards, and stewardesses) not reimbursed pursuant to Paragraphs A and B, as follows: Panagra shall segregate the training costs incurred in training flight crews other than pursers, stewards, and stewardesses on all aircraft types employed in the charter service and PAA will share in the costs so segregated for each type on the basis of a fraction the numerator of which shall be the flight crew salaries for such type chargeable to the charter service and the denominator of which shall be the total flight crew salaries for such type. In the case of training costs incurred with respect to pursers, stewards, and stewardesses PAA will share in such costs on the basis of a fraction the numerator of which shall be the salaries of pursers, stewards, and stewardesses chargeable to the charter service and the denominator of which shall be the total such salaries.

## 2. *Indirect Costs.*

A. Panagra will be paid a portion of so much of the operations overhead of Panagra as consist of the offices of Regional Manager, Operations Manager, Director of Safety, Chief Pilot (after proper deduction for revenue flying done by him or his staff, Operations Superintendent, Communications Superintendent, CAA Liaison and Panagra's Medical Department, together with the costs related to the functions of such offices, provided, however, that the offices of the Regional Manager shall be taken into account only to the

1900

extent of 50%. Panagra will also be paid a portion of its United States expenses applicable to the operations, maintenance and communications departments, including [fol. 1818] amounts paid to PAA for such services, and a portion of the salaries and related expenses of Panagra's United States Maintenance Representatives as provided in Paragraph 7, to the extent that these have not been taken into account in other payments herein provided for. The amount so payable shall be the amount obtained by multiplying the total of the costs herein specified by a fraction of which the numerator will be 50% of the available ton miles flown in the charter service and the denominator the total available ton miles flown in Panagra's common carrier service plus 50% of the available ton miles flown in the charter service.

B. Panagra will be paid a portion of so much of its passenger service overhead as consists of the office of passenger service superintendent and the office of chief purser. The amount so payable shall be the amount obtained by multiplying the total of these costs by a fraction of which the numerator will be 40% of the available ton miles flown in the charter service and the denominator the total available ton miles flown in Panagra's common carrier service plus 40% of the available ton miles flown in the charter service.

C. Panagra will be paid a portion of the costs of its financial and accounting departments (up to and including the level of the offices of assistant treasurer and assistant comptroller directly supervising the accounting under this agreement and including the audit staff attached to Panagra's United States Maintenance Representatives) and the cost of the personnel department located at New York. The amount so payable shall be the amount obtained by multiplying the total of these costs by a fraction of which the numerator will be 35% of the available ton miles flown in the charter service and the denominator the total available ton miles flown in Panagra's common carrier service plus 35% of the available ton miles flown in the charter service.

D. All references to available ton miles flown are to miles flown on revenue flights.



[fol. 1819] 3. *Return on Panagra's Investment.*

Panagra shall be paid an amount representing a fair rate of return on

(i) So much of Panagra's investment (computed at cost less depreciation at rates fixed as provided in 1A4 above) in the type of flight equipment (Accounts 1601-1608) and the passenger service equipment thereon (Account 1611) used in the charter flights as shall be allocable to such service on a revenue miles basis as set forth in paragraph 1A3.

(ii) So much of Panagra's funds or securities earmarked and reasonably required for replacement of or additions to the type of flight equipment operated or to be operated in the charter service (not less than the funded depreciation reserve with respect thereto) as shall be allocable to the charter service on a revenue miles basis as set forth in paragraph 1A3. In case disbursement of such funds or use of the equipment purchased shall be other than as indicated by such earmarking, appropriate adjustments of prior billings under this subparagraph will be made.

(iii) So much of Panagra's working capital as shall be allocable to the charter service operated by Panagra pursuant to this Agreement, to wit, three times Panagra's expenses for this operation for each month, exclusive of depreciation accruals and of amounts paid in the first instance by PAA.

(iv) So much of Panagra's investment (net of depreciation reserves) in maintenance and overhaul facilities as shall be allocable to the flight equipment maintenance and overhaul services performed by Panagra for the charter service on the same basis as stated in paragraph 1A5 with respect to shop burden.

(v) So much of Panagra's investment (net of depreciation reserves) in planes normally used for training, in link trainers and in other major items of special equipment used for the training of flight crews as the amounts in Account 5128 allocated to the charter service shall bear to the total amounts in such account.

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[fol. 1820]

## ANNEX 2

### *Detailed Provisions for Payments by Panagra to PAA Pursuant to Paragraph 17(b)\**

A. The costs to be reimbursed by Panagra to PAA under clause (1) shall be the direct and indirect expenses of the types presently set forth in the following accounts:

- (1) The direct labor of employees engaged in the maintenance, periodic inspection, repair, overhaul, etc. of Panagra's aircraft, engines and other flight equipment of the type normally recorded in Accounts 5225-5227, inclusive.
- (2) The cost, less return parts credit and/or salvage, of spare parts and assemblies, materials and supplies consumed in the maintenance, periodic inspection, repair, overhaul, etc., and the cost of outside repairs of Panagra's aircraft, engines and other flight equipment, of the type normally recorded in Accounts 5246-5248, inclusive.
- (3) A share of the following indirect or burden expenses attributable to the base or bases at which Panagra's aircraft are maintained or overhauled (distributed on the basis of direct labor costs):
  - (a) Shop burden expenses applicable to the maintenance and stores departments charged in Accounts 6221-6274 and solely applicable to maintenance of flight equipment and ground equipment used in connection with maintenance of flight equipment.
  - (b) Salaries and expenses of the purchasing and cost accounting departments included in Accounts 6621-6674.
  - (c) Insurance—public liability, property damage and general insurance expenses included in Account

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\* All references to account numbers are to the Civil Aeronautics Board's Uniform System of Accounts for Air Carriers presently in effect.

6655 and applicable to the maintenance and stores departments.

[fol. 1821] (d) Cost of insurance of all kinds included in Account 6657 and applicable to the maintenance and stores departments:

(e) Payroll taxes included in Account 6668 and taxes other than payroll included in Account 6669 and applicable to the maintenance and stores departments.

(f) Depreciation included in Account 6978 and applicable to the hangar, shop and ramp equipment occupied or used by the maintenance, purchasing and stores departments.

B. The amount payable by Panagra to PAA for depreciation of flight equipment spare parts and assemblies under clause (2) shall be determined by applying to the portion of Account 5977—Flight Equipment Spare Parts and Assemblies for the bases where Panagra's aircraft and/or engines are maintained a ratio of which the numerator shall be the dollar value of such spare parts and assemblies issued out for the account of Panagra and the denominator shall be the total dollar value of all such spare parts and assemblies issued.\*

C. The investment of PAA on which a return shall be paid pursuant to clause (3) shall be the sum of the following:

(a) The sum obtained by multiplying PAA's total investment (net of depreciation reserves) in maintenance and overhaul facilities used in or useful for maintenance and overhaul of Panagra's aircraft at the bases where such work is performed by a fraction the numerator of which will be the total direct maintenance labor costs charged to Panagra, and the denominator of which shall be the total direct maintenance labor costs for such bases.

\* See attached letter agreement.

- (b) The sum obtained by multiplying PAA's investment (net of depreciation reserves) in Flight Equipment Spare Parts and Assemblies at the bases where Panagra's aircraft are maintained by the same fraction described in paragraph B above; and

[fol. 1822] (c) An allowance for working capital equal to three times PAA's charges under subparagraph 17(b) for the preceding month (after eliminating the portion of such charges representing depreciation accruals, FESPA obsolescence and return on investment).

[fol. 1823]

### ANNEX 3

#### *Basis for Division of Revenues from Through Rates*

Revenues from transportation between a point on PAA's route and a point on Panagra's route conducted under through rates (whether or not moving over the charter service) shall be divided as follows:

- (1) *Passenger Fares*—Normal adult one-way all year joint fares shall be apportioned between PAA and Panagra in proportion to the applicable normal adult one-way all year fare in U. S. dollars for the PAA section of the route to the applicable such fare in U. S. dollars for the Panagra section of the route. All other joint fares, such as round trips, circle, open jaw, excursion, children's, Government, sleeper and extra fares, shall be apportioned in accordance with the respective applicable fares in U. S. dollars for the respective sections of the route.
- (2) *Excess Baggage Charges*—to be apportioned on the same principle as passenger fares. Excess baggage valuation charges will be retained by the collecting carrier.
- (3) *Express Charges* (transportation, valuation, and shippers' cargo insurance)—to be apportioned in propor-

tion to the respective mileages via the most direct routes between the points of origin and destination on the routes of PAA and Panagra and the junction point of PAA's and Panagra's services (the premium cost of air express carrier's liability insurance and air press shippers' cargo insurance on shipments moving under through rates to be divided in proportion to the shares in the express revenues).

- (4) *Transportation Rates for Foreign Mail*—(a) Foreign Mail Destined to the United States, its possessions and territories, (exclusive of charges for domestic handling)—to be apportioned in proportion to the respective mileages via the most direct routes between agreed control point or points in the country of origin and [fol. 1824] the junction point of PAA's and Panagra's services and between such junction point and the PAA United States terminus to which the mail is dispatched.
- (b) Foreign Mail Destined to Other Foreign Countries—Applicable under New Transportation Rates—In accordance with the transportation rates for foreign mail approved by the U. S. Post Office Department for effectiveness January 1, 1947, as of the first day of the month in which each country accepts such new rates the transportation charges will be apportioned in proportion to the respective mileages via the most direct route between agreed control point or points in the country of origin and the junction point of PAA and Panagra services and between such junction point and the terminus on PAA or Panagra, as the case may be, to which the mail is dispatched.
- (c) The route mileages applicable in (a) and (b) above will be determined in accordance with mileages approved by the U. S. Post Office Department.
- (d) Foreign Mail Destined to Other Foreign Countries—Applicable Prior to Effectiveness of New Transportation Rates—Until such time as the respective countries served by PAA and Panagra accept the transportation rates approved by the U. S. Post

Office Department on January 1, 1947, the initial carrier will retain the mail pay received from the country of origin and will pay the onward carrier an amount obtained by multiplying the weight of the mail transferred to the latter by the existing rate from the country of transfer to the country of final destination. In the case of mail transferred in the Canal Zone, Panama will be considered the country of transfer. In the case of mail transferred at Buenos Aires, Argentina will be considered the country of transfer. For mail transferred at the Canal Zone and Buenos Aires, the rate to be used as a basis of calculation will be the rate in effect as of December 31, 1946. As each country concerned accepts the new reduced transportation rates, the mail transportation charges will, as of the first day of the month in which such rates are accepted by each such country, be apportioned on the same mileage basis as stated in sub-paragraph (b) above. It is the obligation of each carrier to notify the other of the effective date of the acceptance of new transportation rates by the respective countries served by its lines.

- (5) Route mileages applicable to paragraphs (1), (2) and (3) will be determined in accordance with C. A. B. Mileage Booklet No. 2 (Revised) and any revisions thereof.

The foregoing provisions are intended to be consistent with applicable resolutions of International Air Transport Association (IATA) of which PAA and Panagra are members; in the event that such resolutions should be changed in such a manner that any of the foregoing provisions would no longer be consistent therewith, the foregoing provisions shall be automatically amended to conform with the changed IATA resolutions.



1907

[fol. 1826]

January 9, 1948.

Pan American-Grace Airways, Inc.  
135 East 42nd Street  
New York City

Dear Sirs:

This letter will evidence the agreements that have been reached as to the method in which Annex 2, Paragraphs B and C(b), shall be applied.

The amount payable by Panagra to PAA under Paragraph B will be determined in the following manner:

Separate computations will be made for FESPA at each location where Panagra uses FESPA. FESPA will be divided into six separate categories, to wit: airplane parts, engine parts, engine accessories, instruments and parts, propeller parts, and aircraft accessories. Each of these categories will be further subdivided into sub-categories as between DC-3, DC-4, CV-240 and other types of airplanes. Depreciation on each of these sub-categories shall be considered as a separate pool of expense. Panagra will share in such depreciation only in months in which issues at the respective base and out of the respective sub-category are made to Panagra, and, in the case of FESPA relating to CV-240 aircraft, effective only commencing with the month in which PAA begins scheduled operation with such aircraft.

The same procedure shall be followed in computing the amount on which return on investment shall be computed pursuant to Paragraph C(b).

It is understood that the arrangements set forth in this letter represent simply a practical application, under present conditions, of the principles set forth in the specified paragraphs of Annex 2 of the contract, and that either party may at any time give notice that it no longer considers these arrangements to be suitable, such notice, however, to have no effect upon any months preceding that in which such notice is given.

1908

[fol. 1827] If the foregoing represents your understanding, kindly so indicate on the enclosed copy of this letter.

Very truly yours,

PAN AMERICAN AIRWAYS, INC.

By E. BALLUDER /s/  
Vice President

Confirmed:

PAN AMERICAN-GRACE AIRWAYS, INC.

By H. J. ROIG /s/  
President

[fol. 1828]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 6

### CONFORMED COPY

[Stamp—Date Illegible]

### THROUGH FLIGHT AGREEMENT —SUPPLEMENT NO. 3

THIS AGREEMENT, made and entered into this 28 day of January, 1949, by and between PAN AMERICAN AIRWAYS, INC., a New York corporation, hereinafter called "PAA" and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "Panagra".

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by Supplement No. 1 dated May 28, 1947 and by Supplement No. 2 dated January 9, 1948, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire to supplement and amend the Through Flight Agreement as herein set forth;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

43. The following schedule of rates for charges to Pan-agra pursuant to paragraph 8 of the Through Flight Agreement for training is hereby substituted for the schedule of rates set forth in paragraph 29, effective as of March 1, 1948:

<i>Miami Schools</i>	<i>Dollars Per Hour</i>
Mechanics	1.2247
Meteorologists	2.1370
Radio	1.6534
Pilot	18.0160
Link	7.0411
<i>Miami Aircraft</i>	
DC-3 Passenger	77.6875
DC-3 Cargo	83.3226
DC-3 Trainer	54.3134
DC-4 Passenger	165.8967
DC-4 Cargo	131.4446
DC-4 Trainer	115.2668

44. The following schedule of rates for charges to Pan-agra pursuant to paragraph 8 of the Through Flight Agreement for training is hereby substituted for the schedule of rates set forth in paragraph 43, effective from September 1, 1948 until further notice:

[fol. 1829]

<i>School</i>	<i>Hourly</i>
Miami—Ground Training	\$ 1.4493
Miami—Link	9.6116
Brownsville—Link	9.1569
Miami—Pilot	25.1983
Brownsville—Pilot	33.0830
Rio—Pilot	10.4547
New York—Pilot	26.8186
<i>Aircraft Type</i>	
DC-3 Aircraft	101.5666
DC-4 Passenger	189.5431
DC-4 Cargo	171.6570

1910

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year first above written.

PAN AMERICAN AIRWAYS, INC.

By /s/ E. BALLUDER

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ G. VIDAL

[fol. 1830]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 7

CONFORMED COPY  
THROUGH FLIGHT AGREEMENT  
—SUPPLEMENT NO. 4

THIS AGREEMENT, made and entered into this Ninth day of February, 1949, by and between PAN AMERICAN AIRWAYS, INC., a New York corporation, hereinafter called "PAA and PAN AMERICAN GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "Panagra".

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946 which agreement has been supplemented and amended by Supplement No. 1 dated May 28, 1947 and by Supplement No. 2 dated January 9, 1948, and by Supplement No. 3, dated January 28, 1949 said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire to supplement and amend the Through Flight Agreement as herein set forth;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

45. With respect to the year 1948 only, and notwithstanding the provisions of paragraph 17 (c) of the Through Flight Agreement, return on investment and depreciation

1911

payable by PAA to Panagra with respect to Panagra-owned DC-4 equipment shall be accumulated separately for each of the two periods; January 1, 1948 through April 30, 1948; and May 1, 1948 through December 31, 1948. All other items of expense shall be payable for the year 1948 on the accumulative basis for the entire year as is provided in paragraph 17 (c) of the Through Flight Agreement.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year first above written.

PAN AMERICAN AIRWAYS, INC.

By /s/ E. BALLUDER

PAN AMERICAN GRACE AIRWAYS, INC.

By /s/ G. VIDAL

[fol. 1831]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 8

[Handwritten notation—140511 Only Copy—Do Not Remove]

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SUPPLEMENT NO. 5

TO

THROUGH FLIGHT AGREEMENT

BETWEEN

PAN AMERICAN AIRWAYS, INC.

AND

PAN AMERICAN-GRACE AIRWAYS, INC.

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DATED MAY 11, 1949

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1912

[fol. 1832]

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 5

AGREEMENT made and entered into as of the 11th day of May, 1949, by and between PAN AMERICAN AIRWAYS, INC., a New York corporation, (hereinafter called "PAA"), and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation (hereinafter called "Panagra"):

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, and supplements thereto dated respectively May 28, 1947, January 9, 1948, January 28, 1949, and February 9, 1949, relating to the charter of Panagra's aircraft to PAA for through operation on certain of PAA's routes north of the Canal Zone and other matters, which agreements are hereinafter referred to as "the Through Flight Agreement"; and

WHEREAS, Panagra desires to enter into an agreement with National Airlines, Incorporated, a Florida corporation (hereinafter called "National"), for the further charter to National of Panagra's aircraft which have been operated by PAA between the Canal Zone and Miami for operation by National over National's Miami-New York route; and

WHEREAS, the parties desire to supplement and amend the Through Flight Agreement so as to provide for such further charter and in certain other respects as herein set forth.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

46. PAA agrees that Panagra's aircraft chartered to PAA pursuant to the Through Flight Agreement for through operation between the Canal Zone and Miami, Florida may be further chartered by Panagra to National for through operation by National over National's Miami-New York route upon the specific terms and conditions set forth in an agreement between Panagra and National being [fol. 1833] executed simultaneously herewith (hereinafter referred to as "the Panagra-National Agreement"). Panagra does not admit that such agreement by PAA is re-



quired to enable Panagra to enter into the Panagra-National Agreement.

47. Panagra hereby constitutes and appoints PAA as Panagra's agent, for the term of the Panagra-National Agreement, to deliver Panagra's aircraft to National at Miami, for the purpose of flights over National's route pursuant to the said agreement and to receive delivery of Panagra's aircraft from National at Miami. PAA is authorized as such agent, on Panagra's behalf, to receive and execute such receipts, to perform such inspections, to make such checks and measurements, and to perform all such other acts as may be necessary or appropriate in connection with the delivery or return of the said aircraft. In acting as such agent with respect to the delivery of Panagra's aircraft to National and the return of Panagra's aircraft by National at Miami, PAA shall be bound to exercise the same and only the same degree of care as PAA exercises with respect to the delivery and return of its own aircraft under an agreement between PAA and National being executed simultaneously herewith (hereinafter referred to as "the PAA-National Agreement").

48. PAA and Panagra shall from time to time agree as to the personnel to be assigned to National's airports pursuant to Paragraph 6 (b) of the PAA-National Agreement and the Panagra-National Agreement to the end of avoiding duplication of such personnel.

49. The second sentence of paragraph 3 of the Through Flight Agreement is amended by substituting the words and figures "forty-five (45)" for "sixty (60)".

50. Paragraph 10 of the Through Flight Agreement is amended by adding at the end thereof:

"(c) PAA will furnish Panagra with monthly reports showing for all sales from New York, Washington and [fol. 1834] Miami to Buenos Aires how many were routed via the East Coast of South America and how many were routed via the West Coast of South America."

51. The last sentence of paragraph 14 of the Through Flight Agreement is amended to read as follows:

"PAA and Panagra will agree with each other (and with National if the Panagra-National Agreement shall become and be effective) in advance on appropriate advertising programs (including newspaper and magazine space, advertising and display pieces and collateral material) and budgets therefor, for promoting the through flights made pursuant to this Agreement and the approved expense of all such advertising shall be apportioned among them as from time to time agreed, provided, however, that no charge shall be made for transporting advertising material to the most effective point of use."

52. The second sentence of paragraph 15(a) of the Through Flight Agreement as amended is further amended to read as follows: "PAA shall be deemed to be in possession of Panagra's aircraft (1) in the case of aircraft turned over to PAA for operation on through flights under this agreement, from the time when such aircraft is so turned over to PAA by Panagra until the time when such aircraft is either (i) returned by PAA to Panagra or (ii) turned over by PAA to National for operation by National pursuant to the Panagra-National Agreement or (iii) turned over by PAA to National with Panagra's consent for operation pursuant to the PAA-National agreement, in either of which latter events the aircraft shall again be deemed to be in PAA's possession when returned to it by National, and (2) in the case of aircraft turned over to PAA for maintenance, from the time when such aircraft is turned over to PAA at one of the latter's maintenance bases until the time when such aircraft is returned to Panagra; except, in either case, for non-revenue or other special flights (excluding test flights made under [fol. 1835] PAA custody following maintenance and according to CAA requirements) during such period made at the instance and request of Panagra".

53. Paragraph 15 of the Through Flight Agreement is further amended to include the following: "(e) In the

event of loss or damage to or delay in the delivery of baggage or personal effects of a passenger, or cargo, express or mail on an aircraft making a through flight hereunder, the party having possession of the aircraft at the time the loss, damage or delay occurs shall as between the parties hereto be responsible therefor. In case it is not possible to establish which party had possession of the aircraft at the time of such loss, damage or delay, any liability or expense arising therefrom shall be shared between the parties in proportion to the revenue received from the transportation of the passenger whose baggage or personal effects shall have been lost, damaged or delayed or from the transportation of the cargo, express or mail which shall have been lost, damaged or delayed, provided, however, that if any such flight has been operated under the Panagra-National Agreement (including a flight operated with PAA aircraft at Panagra's request) any such liability or expense shall be shared in said proportions among Panagra, PAA, and National or if it shall be possible to establish that one of such parties did not have possession of the aircraft at the time of such loss, damage or delay, by the other two parties in said proportion".

54. Paragraph 16 of the Through Flight Agreement as amended is amended to read as follows:

*"16. Risk of Loss of Aircraft.*

Unless otherwise agreed Panagra shall carry appropriate insurance providing against loss of or damage to its aircraft or other property under charter to PAA pursuant to this Agreement and Panagra will cause PAA to be included as a party insured. Such insurance [fol. 1836] shall have the same coverage as is provided by Panagra for similar aircraft or other property while in Panagra's possession. Panagra will advise PAA from time to time of the provisions of its insurance policies on such aircraft or other property and PAA will not knowingly operate or use the aircraft or other property chartered to it in such a manner that Panagra shall be deprived of the benefits of its insurance coverage. PAA shall not be liable to

Panagra for loss or damage to Panagra's aircraft or other property while under charter to PAA pursuant to this Agreement, except for violation by PAA of the obligations assumed by PAA in the preceding sentence and except for any loss or damage occasioned by PAA's use of such aircraft or other property as to which Panagra is unable to collect from its insurer by reason of any franchise or deductible provisions in its insurance policies if such loss or damage was occasioned by the gross negligence of PAA or its employees acting within the course of their employment."

55. Paragraph 17(h) of the Through Flight Agreement (added by paragraph 34 of Supplement No. 2) is amended by adding the following at the end thereof: "and in the case of mileage flown over the route of National pursuant to the Panagra-National agreement will be those effective as shown in CAB Mileage Booklet No. 1, Airport-to-Airport Mileages over Interstate Routes of Certificated Air Carriers, and in any revisions thereof".

56. Paragraph 23(e) of the Through Flight Agreement is amended by adding at the end thereof the words: "and the delivery of possession of Panagra's aircraft to National and the return of such possession from National pursuant to the Panagra-National Agreement".

57. (a) All references in Annex 1A to the Through Flight Agreement to "the charter service" shall refer only to the charter service operated by PAA pursuant to said agree-[fol. 1837] ment. All references in said Annex 1A to the total revenue miles flown by Panagra's aircraft or to a revenue mile basis shall include revenue miles flown by such aircraft pursuant to the Panagra-National Agreement.

(b) Paragraph 1A1(1) of said Annex 1A is amended by adding at the end thereof the following: "and Panagra will cause National to advise Panagra at the close of each month of the total gallonage delivered by National to Panagra's aircraft, classified by aircraft types, under the Panagra-National Agreement".

(c) The last sentence of paragraph 1A3 of said Annex 1A is amended by adding after the words "or to Panagra's common carrier service" the words "or to the charter service operated pursuant to the Panagra-National Agreement" and by eliminating the last seven words of the sentence and substituting therefor the words "to the service to which they relate".

(d) The parenthetical phrases in paragraphs 1A3 and 1B of said Annex 1A now reading: ("except for credits arising out of charges to PAA") are amended to read: ("except for credits arising out of charges to PAA and charges to National").

(e) Paragraph 1A4 of Annex 1A of the Through Flight Agreement is amended by adding thereto the following paragraph:

"If Panagra shall base its computations of depreciation of Flight Equipment used in the charter service on a residual value of such equipment which is increased by the amount of one major overhaul and shall make such computations effective as from May 31, 1947, PAA will not participate in the credits resulting from reversal of the amount by which major overhaul reserves shall have been so increased when such equipment is sold or otherwise disposed of."

(f) The last sentence of paragraph 2A, the last sentence of paragraph 2B, and the last sentence of paragraph 2C of [fol. 1838] said Annex 1A are amended by adding at the end of each sentence the words "and in the charter service operated pursuant to the Panagra-National Agreement".

(g) The first parenthetical clause in paragraph 3(i) of said Annex 1A is amended by adding at the end thereof the words "and less overhaul reserves against such flight equipment computed in the manner recognized by the Civil Aeronautics Board".

58. PAA agrees that at Panagra's written request it will exercise its right of termination under paragraph 19, sub-section (2), clauses (ii) and (vi) of the PAA-National

1918.

Agreement. Panagra agrees that at PAA's written request it will exercise its right of termination under paragraph 19, sub-section (2), clauses (ii), (iii), (iv), (v), and (vi) of the Panagra-National Agreement.

59. This Supplement No. 5 shall become effective only in the event that the agreement dated May 11, 1949 between Panagra and National shall become effective, except that paragraphs 49, 50, 51 and 53 (except for the proviso to the last sentence of the amendment made therein) shall become effective immediately and that the amendments made in paragraphs 57 (e) and (g) shall be effective as from May 31, 1947.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by the officers thereunto duly authorized on the day and year first above written.

PAN AMERICAN AIRWAYS, INC.

By J. T. TRIPPE /s/  
President

PAN AMERICAN-GRACE AIRWAYS, INC.

By DOUGLAS CAMPBELL /s/  
Vice President and  
General Manager



1919

[fol. 1839]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 9

[Handwritten notation—Contained herein amendment to supplement #5]

Before the  
CIVIL AERONAUTICS BOARD  
Docket No. 3787

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In the Matter of the Application of  
PAN AMERICAN WORLD AIRWAYS, INC.

for a modification of the Board's Order Serial No. E-570 approving an agreement between the Applicant and Pan American-Grace Airways, Inc. and a companion agreement between Pan American Airways Corporation and W. R. Grace & Co.

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AMENDMENT NO. 1 TO APPLICATION

Communications with respect to this amendment to application should be sent to:

HENRY J. FRIENDLY  
Vice President & General Counsel  
Pan American World Airways, Inc.  
135 East 42nd Street.  
New York 17, N. Y.

• Steptoe & Johnson  
Of Counsel for Applicant  
1139 Shoreham Building  
Washington 5, D. C.

Dated: April 25, 1951  
New York, N. Y.

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[fol. 1840]

Before the  
CIVIL AERONAUTICS BOARD  
Docket No. 3787

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In the Matter of the Application of

PAN AMERICAN WORLD AIRWAYS, INC.

for a modification of the Board's Order Serial No. E-570 approving an agreement between the Applicant and Pan American-Grace Airways, Inc. and a companion agreement between Pan American Airways Corporation and W. R. Grace & Co.

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AMENDMENT NO. 1 TO APPLICATION

PAN AMERICAN WORLD AIRWAYS, INC. (herein called "PAA") hereby presents this Amendment No. 1 to its application herein:

1. In the application herein verified May 11, 1949, PAA prayed that the Board make and enter an order modifying order Serial No. E-570 so as to extend to July 1, 1960, or to such later date as the Board might determine, the Board's approval of the Through Flight Agreement dated July 30, 1946, between PAA and Pan American-Grace Airways, Inc., a Delaware corporation, of Supplements Nos. 1 to 5, inclusive, thereto, and of an agreement dated July 30, 1946 between Pan American Airways Corporation (a Delaware corporation, to the rights and liabilities of which PAA has since succeeded) and W. R. Grace & Co., a Connecticut corporation.

2. By Order Serial No. E-4130, the Board extended its approval of the two agreements dated July 30, 1946, until such time as the Board entered an order approving or disapproving the application of PAA herein.

[fol. 1841] 3. By Order Serial No. E-4575, the Board approved certain amendments to the Through Flight Agree-

ment until such time as the Board entered an order approving or disapproving the application of PAA herein. The amendments so approved did not include Supplement No. 5 (CAB File No. 727 A-6).

4. It appears from the attached copy of a letter dated April 25, 1951, from PAA to Pan American-Grace Airways, Inc., that because of the repudiation by National Airlines, Inc., of an agreement between said National Airlines, Inc. and PAA dated May 11, 1949 (approval of which agreement had been sought in Docket No. 3786) and the dismissal by the Board of the said Docket No. 3786 and of an application for approval of an interchange agreement between National Airlines, Inc. and PAA, (Docket No. 3785), Supplement No. 5 to the Through Flight Agreement will not become effective, except in respect of paragraphs 49, 50, 51, 53 (except for the proviso to the last sentence of the amendment made therein), and 57 (e) and (g). PAA, therefore, withdraws its application herein for approval of said Supplement No. 5 to the Through Flight Agreement except for those portions thereof indicated in the preceding sentence.

5. Since the Board's Order Serial No. E-4575, PAA has entered into Supplements Nos. 8 and 9 to the Through Flight Agreement which have been filed as Agreements CAB Nos. 727 A-9 and 727 A-10.

WHEREFORE, PAA amends the prayer of its application herein so that the same shall request the Board to make and enter an order modifying order Serial No. E-570 so as to extend to July 1, 1960, or to such later date as the Board may determine, the Board's approval of the Through Flight Agreement dated July 30, 1946, of CAB Agreements Nos. 727, 727 A, 727 A-2, 727 A-3, 727 A-4, 727 A-5 so much of 727 A-6 as is contained in paragraphs 49, 50, 51, [fol. 1842] 53 (except for the proviso to the last sentence of the amendment made therein) and 57 (e) and (g), 727 A-7, 727 A-8, 727 A-9 and 727 A-10, and of the agreement dated

1922 .

July 30, 1946, between Pan American Airways Corporation and W. R. Grace & Co.

Respectfully submitted,

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. T. TRIPPE  
J. T. Trippe,  
President:

Dated, April 25, 1951.

[fol. 1843]

STATE OF NEW YORK . )

188

COUNTY OF NEW YORK )

J. T. TRIPPE, being duly sworn, deposes and says that he is President of Pan American World Airways, Inc., a New York corporation; that he is duly authorized to sign the foregoing application and has read and is familiar with the contents thereof; that he intends and desires that in granting or denying the prayer of said application, the Board shall place full and complete reliance upon the accuracy of each and all statements made therein; that he is familiar with the facts set forth in said application, and to the best of his information and belief every statement made therein is true, and no statement is misleading.

/s/ J. T. TRIPPE  
J. T. Trippe

Subscribed and sworn to before me  
this 25th day of April, 1951.

/s/ EMMA F. RAHN  
Emma F. Rahn

**Notary Public, State of New York**  
**No. 41-8483200**

### Qualified in New York County

**Certificates filed with:**

### Queens, New York County Clerks

Queens, New York County Register's Office

**Term expires March 30, 1952.**

NOTARIAL SEAL

[fol. 1844]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 10

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 6

THIS AGREEMENT, made this 18 day of October, 1949, by and between PAN AMERICAN AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "Panagra",

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by Supplement No. 1 dated May 28, 1947, by Supplement No. 2 dated January 9, 1948, by Supplement No. 3 dated January 28, 1949, by Supplement No. 4 dated February 9, 1949, and by Supplement No. 5 dated May 11, 1949, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth, with a view to saving executive, accounting and clerical expense in connection with calculation and auditing of certain payments provided for in the Through Flight Agreement;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

60. The amounts payable by Panagra to PAA which are referred to in the provisions of Annex 2 of Supplement No. 2 to the Through Flight Agreement mentioned below shall be determined as follows:

(a) The payment referred to in subsection (a) of section 3 of paragraph A. of said Annex 2 in respect of work done at Miami during the calendar year 1949 shall be an amount equal to 210% of the direct labor charges to Panagra for maintenance and overhaul of Panagra's flight equipment at Miami pursuant to para-

graph 7 of the Through Flight Agreement during the year 1949.

(b) The payment referred to in paragraph B. and section (b) of paragraph C. of said Annex 2 shall [fol. 1845] (i) for the year 1948 be an amount equal to 35% of the amounts billed by PAA to Panagra for Flight Equipment Spare Parts and Assemblies (FESPA) utilized during 1948, and (ii) for the year 1949 be an amount equal to 30% of the amounts billed by PAA to Panagra for FESPA utilized during 1949. The FESPA referred to in this subparagraph (b) to which said percentages will be applied shall include only FESPA used by PAA in connection with maintenance, conversion and modification of Panagra's aircraft, engines, and other flight equipment, it being specifically understood that it shall not include FESPA issues to Panagra line stations or FESPA classified as component parts which are handled on a free exchange basis, but shall include FESPA used in repair, overhaul or maintenance of such component parts or in replacing non-repairable components. Any return of FESPA to inventory, as well as any adjustment in cost, will be reflected in an adjustment in the amount payable hereunder, such adjustment to be applicable to the period when such return to inventory or adjustment in cost takes place.

(c) The payments referred to in sections (a) and (c) of paragraph C. of said Annex 2 for the year 1949 in respect of work done at Miami shall be an amount equal to 17½% of the direct labor charges to Panagra for maintenance and overhaul of Panagra's flight equipment at Miami pursuant to paragraph 7 of the Through Flight Agreement during the year 1949.

(d) The parties will consult as soon as practicable in 1950, and each year thereafter while the Through Flight Agreement continues in effect, with a view to fixing the basis for determining the amounts of the payments referred to in the provisions of said Annex



1925

2 mentioned above. In the event that the parties shall not have agreed on or before the first day of April of any year as to the basis for such determination for the current year with respect to any of said provisions and said date shall not have been extended by mutual agreement [fol. 1846] ment, the payments under the provision or provisions as to which agreement is not reached shall be determined for such year in accordance with the provisions of Annex 2, without regard to the foregoing provisions of this Supplement No. 6.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year first above written.

PAN AMERICAN AIRWAYS, INC.

By /s/ E. BALLUDER  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

[fol. 1847]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 11

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 7

THIS AGREEMENT, made and entered into this 31st day of January, 1950, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation (the corporate name of which was formerly "Pan American Airways, Inc."), hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "Panagra".

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by Supplement No. 1 dated May 28, 1947, by Supplement No. 2 dated January 9, 1948,

1926

by Supplement No. 3 dated January 28, 1949, by Supplement No. 4 dated February 9, 1949, by Supplement No. 5 dated May 11, 1949, and by Supplement No. 6 dated October 18, 1949, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire to supplement and amend the Through Flight Agreement as herein set forth:

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

61. The following schedule of rates for charges to Panagra pursuant to paragraph 8 of the Through Flight Agreement for training is hereby substituted for the schedule of rates set forth in paragraph 44, effective as of January 1, 1950:

<i>School</i>	<i>Associated and Affiliated Companies</i>
Miami—Ground Training	\$ 1.7317
Miami—Link	10.6945
Miami—Pilot	29.0495
<i>Aircraft Type</i>	<i>Hourly</i>
DC-3 Aircraft	96.4380
DC-4 Passenger	186.5386
DC-4 Cargo	172.3714

[fol. 1848] IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year first above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ E. BALLLUDER

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ G. VIDAL

[fol. 1849]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 12  
[Handwritten notation—1405.1]

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THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 8

THIS AGREEMENT, made this 26th day of December, 1950, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "Panagra",

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by Supplement No. 1 dated May 28, 1947, by Supplement No. 2 dated January 9, 1948, by Supplement No. 3 dated January 28, 1949, by Supplement No. 4 dated February 9, 1949, by Supplement No. 5 dated May 11, 1949, by Supplement No. 6 dated October 18, 1949, and by Supplement No. 7 dated January 31, 1950, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth, with a view to saving executive, accounting and clerical expense in connection with calculation and auditing of certain payments provided for in the Through Flight Agreement:

NOW, THEREFORE, This Agreement Witnesseth:

62. The following paragraph is hereby substituted for paragraph 17(c) of the Through Flight Agreement, effective for the period commencing on the date of this Supplement No. 8 and terminating on the date this paragraph 62 ceases to be effective as hereinafter provided:

"(c) Each of the parties will render to the other as soon as practicable after the end of each calendar month bills for the payments due pursuant to the Through Flight Agreement with respect to such month. All such bills will be paid on or before the fifteenth day after the close of the month to which such bills relate or on or before the fifth day after receipt of such bills, whichever is later. In the event payment of any such bill is delayed beyond the time specified in the preceding sentence, the amount due thereon shall be increased for each day of such delay by an amount which bears the same ratio to one-thirtieth of the total amount of the return on working capital hereunder for such month to the party to which payment is due (computed in accordance with the rates shown in paragraph 67 hereof or in Annex 1-B, whichever is applicable) as the amount due on such bill bears to the total amount due on all bills rendered by said party under the Through Flight Agreement for such month."

63. Annex 1-B attached hereto and made a part hereof is hereby substituted for Annex 1-A to the Through Flight Agreement, effective for the period commencing on January 1, 1950 and terminating on the date this paragraph 63 ceases to be effective as hereinafter provided.

64. In the event that there shall be an adjustment in Panagra's hull insurance expense for any period after September 30, 1948, to reflect Panagra's actual experience for such period, there shall be a proportionate adjustment in the amount charged to Pan American pursuant to the Through Flight Agreement in respect of hull insurance for such period.

65. Section A of Annex 2 to Supplement No. 2 to the Through Flight Agreement is amended by adding the following at the end of said Section A, effective for the period commencing on January 1, 1950 and terminating on the date this paragraph 65 ceases to be effective as hereinafter provided:

"(4) The costs payable by Panagra to PAA referred to in subsections (1), (2) and (3) of this Section A in

respect of work performed at Miami shall be determined on the basis of applicable prices in the currently effective quarterly official price lists for such work issued by Pan American World Airways, Inc., Latin American Division. The official price lists referred to in this subsection (4) relating to the first, second, third and fourth calendar quarters of the calendar year 1950 are attached hereto, marked Exhibit A, January-March, 1950, Exhibit B, April-June, 1950, Exhibit C, July-September, 1950, and Exhibit D, October-December, 1950, respectively, and made a part hereof, and are hereby accepted by Panagra. The prices set forth in the official price lists referred to in this subsection (4) shall be adjusted retroactively to reflect any change in pay scales provided in any collective bargaining agreement with employees which affects the cost of work to which such prices relate. The prices set forth in such price list for overhauls include labor and overhead appropriate to the overhaul work or services specified in such price lists, and any work or services in addition to, or different in nature or extent from, the work and [fol. 1851] services so specified, which shall be requested by Panagra in writing, whether normally considered as involving direct labor or as being included only in overhead, will be charged for separately either in accordance with such price lists or, in case no price therefor is set forth therein, at prices to be negotiated at the time such work is requested. Such prices will include overhead where appropriate. Such additional work or services are in the nature of, but not limited to, the following types of services:

- (1) Aircraft and radio engineering services over and above the requirements of the Miami Overhaul Base maintenance, overhaul and repair functions.
- (2) Laboratory fuel and oil sampling and other testing or research services.
- (3) Flight and crew scheduling services applicable to Panagra's certificated routes.

1930

(4) First aid, medical service and physical examinations furnished to Panagra employees or applicants.

(5) Civil Aeronautics Authority specifications handling services.

(6) Packaging, clearance and shipping services to fulfill the requirements of Panagra, such clearance and shipping services to be charged for in accordance with purchasing and shipping agreement dated July 14, 1948."

66. The provisions of subparagraphs (b) and (c) of paragraph 60 of the Through Flight Agreement applicable to the year 1949 shall continue in effect for the period commencing on January 1, 1950 and ending on March 31, 1950.

67. Effective as of April 1, 1950, the amounts payable by Panagra to PAA which are referred to in paragraphs B and C of Annex 2 of Supplement No. 2 to the Through Flight Agreement shall be determined at the following rates per revenue mile for each revenue mile flown by Panagra in its own service and in the service of others, except revenue miles flown pursuant to the Through Flight Agreement over the routes of PAA:

[fol. 1852]

	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 aircraft
Return on Investment Working Capital	0.43 ¢	0.52 ¢
Miami Overhaul Base facilities (including return on investment in prepaid rent and deferred shop burden)	1.03	1.54
Flight Equipment Spare Parts and Assemblies	1.97	1.89
Depreciation on Flight Equip- ment Spare Parts and As- semblies	4.62	1.85



68. The prices and charges provided for in paragraphs 65 and 67 and in Annex 1-B hereof shall be subject to review and change as follows:

(a) PAA shall furnish to Panagra the official price list referred to in paragraph 65 for each calendar quarter before the beginning of such quarter, and if Panagra shall not have given PAA written notice of objection thereto within a period of three (3) weeks commencing on the first day of such calendar quarter or within such longer period as may be mutually agreed upon, said price list shall be effective for the purposes of paragraph 65 hereof as of the first day of such calendar quarter. In the event Panagra shall give written notice of objection to said price list within the period specified in the preceding sentence, billings and payments shall be tentatively made in accordance with the prices in the price list last agreed upon, until such time as all prices in the price list shall have been settled for the period in question, at which time the tentative billings and payments shall be adjusted in accordance with the prices so settled.

(b) The charges provided for in Annex 1-B and paragraph 67 hereof shall be subject to review at six months' intervals, on a prospective basis, such reviews to be for the six months' periods commencing with April 1 and October 1 of each year, starting with October 1, 1950. The parties will consult as early as practicable prior to the end of each such period with a view to fixing such charges for the ensuing six months' period, and the charges when agreed upon between the parties shall be effective as of the beginning of such [fol. 1833] six months' period. In the event that the parties are unable to agree before the first day of any such six months' period, or any such later date as may be mutually agreed upon, as to the charges for such period under Annex 1-B and paragraph 67, billings and payments shall be tentatively made in accordance with the prices last agreed upon, until such time as all prices shall have been settled for the period in question, at

which time the tentative billings and payments shall be adjusted in accordance with the prices so settled. Any change agreed upon in the charges provided for in Annex 1-B or paragraph 67 will be reflected in an appropriate amendment to the Through Flight Agreement.

(c) In the event the parties are unable to agree on the price list or charges within the respective times specified in subparagraphs (a) and (b) of this paragraph 68, paragraphs 63, 65 and 67 of this Supplement No. 8 shall cease to be effective as of the last date on which agreed price lists and charges were both in effect, and payments for the period thereafter shall be determined in accordance with the provisions of the Through Flight Agreement without regard to said provisions. In such event, billings shall be cumulative from the date said provisions cease to be effective to the end of the then current year, and thereafter in accordance with Paragraph 17(c) of the Through Flight Agreement.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ E. BALLUDER  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice President

[fol. 1854]

## ANNEX 1-B

DETAILED PROVISIONS FOR PAYMENTS BY  
PAA TO PANAGRA\*

1. Charges for gasoline used in the charter service shall be accounted for as follows:

(1) PAA will advise Panagra at the close of each month of the total gallonage delivered by PAA, classified by aircraft types;

(2) Panagra will allocate to the charter service a gallonage equal to the amount obtained by multiplying the respective gallonages loaded during the month into the types of aircraft used in the charter service by a fraction of which the numerator shall be the revenue miles flown by such type in the charter service and the denominator shall be the total revenue miles flown by such type;

(3) PAA will price the amount specified in (2) at the weighted average price of the deliveries specified in (1). This amount will be retained as a cost of PAA;

(4) Any excess of the cost of the deliveries described in (1) over the cost to be retained by PAA as described in (3) will be billed by PAA to Panagra. Any excess of the cost described in (3) over the cost of deliveries described in (1) will be credited to Panagra by PAA.

2. PAA will reimburse Panagra for all costs properly recorded by Panagra for the aircraft type used in the charter service in Accounts 5123, 5124, 5225-5227, and 5246-5248, inclusive, 5270, 5271 and 5280 (except for credits arising out of charges to PAA), excluding that portion of such costs which relate to return on investment and depreciation on flight equipment spare parts and assemblies

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\* All references to account numbers are to the Civil Aeronautics Board's Uniform System of Accounts for Air Carriers presently in effect.

and which originates with PAA, but including shop burden of Panagra determined as set forth below. All costs dealt with in this paragraph shall be allocated to the charter service on the basis of the ratio of the revenue miles flown by such aircraft in the charter service to the total revenue miles flown by such aircraft type including those flown in the charter service. If it shall appear that major items of cost recorded in such accounts are applicable only to the charter service or to Panagra's common carrier service, provision will be made for removing such costs from allocation [fol. 1855] and charging such costs directly to the charter service, if applicable thereto. The shop burden of Panagra applicable to the maintenance and overhaul of the type of flight equipment used in the charter service shall include shop burden expenses applicable to the maintenance and stores departments charged in Accounts 6221-6274 and solely applicable to maintenance of flight equipment and ground equipment used in connection with maintenance of flight equipment; salaries and expenses of the purchasing and cost accounting departments included in Accounts 6621-6674; insurance—public liability, property damage and general insurance expenses included in Account 6655 and applicable to the maintenance, purchasing and stores departments; cost of insurance of all kinds included in Account 6657 and applicable to the maintenance, purchasing and stores departments; payroll taxes included in Account 6668 and applicable to the maintenance and stores departments; and depreciation included in Account 6978 and applicable to the hangar, shop and ramp equipment occupied or used by the maintenance, purchasing and stores departments; and will be distributed on the basis of direct labor costs.

3. For all costs payable by PAA to Panagra, other than those provided for in paragraphs 1 and 2 above, PAA shall pay Panagra at the following rates per revenue mile flown by Panagra aircraft pursuant to the Through Flight Agreement over the routes of PAA:

	Cents per Revenue Mile Flown with DC-4 Aircraft	Cents per Revenue Mile Flown with DC-6 Aircraft
Account 5100—Flying Operations other than hull insurance	7.67¢	5.65¢
—Hull Insurance	3.64	7.64
Account 5900—Depreciation	38.42	22.56
Accounts 6200 and 6300—Passenger Service	5.41	5.76
Indirect Costs	8.00	8.66
Return on Investment Working Capital	.74	.76
Other	4.41	16.41
Amortization DC-6 Development Costs	—	2.46

[fol. 1856]

## EXHIBIT A

PAN AMERICAN WORLD AIRWAYS, INC.  
OFFICIAL PRICE LIST—JANUARY 1-MARCH 31, 1950

## AIRCRAFT SERVICES &amp; OVERHAULS

I Aircraft Type	Service Type	Fixed Price
DC-4—AE and B Models	1	\$ 250.00
	2	500.00
	3	1,730.00
	4	2,445.00
	5	10,000.00
	6	12,000.00
	7	11,000.00
	8	25,500.00
DC-6	1	900.00
	2	1,050.00
	3	2,625.00
	4	3,500.00
	5	11,000.00
	6	12,500.00

1936

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance policy in effect January 1, 1950, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, are non-predictable and are to be billed as extras on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above-numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a Mark-up to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

[fol. 1857]

## II ENGINE AND NACELLE OVERHAUL

*Engine Type*

*Fixed Price*

R-2000

Bare engine overhaul

\$ 1,170.00

Nacelle teardown

121.50

Nacelle overhaul

463.50

Nacelle buildup

135.00

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\$ 1,890.00

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<i>Engine Type</i>	<i>Fixed Price</i>
<i>R-2800-15</i>	
Bare engine overhaul	\$ 2,025.00
Nacelle teardown	202.50
Nacelle overhaul	472.50
Nacelle buildup	225.00
	<hr/>
	\$ 2,925.00
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Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

### III COMPONENT OVERHAUL AND OTHER

#### *Component Overhaul*

[fol. 1858] All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be over-

1938

hauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated May 26, 1950, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times by mutual agreement.

#### IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth.

#### V RATES

The applicable labor rates referred to in this Exhibit A shall be as follows:

	Cost per Man/Hour		
	Straight Time	Time and One Half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work			
Center	\$5.00	\$6.00	\$7.00
Component Overhaul Work			
Center	4.50	5.50	6.50

VI The applicable material rates referred to in this Exhibit A shall be as follows:

Freight Inventory Dissipation—1½% of material billings.

Inventory Price Variance Dissipation—1½% of material billings.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis resulting in overtime hours in excess of 100 hours per project shall be billed at overtime rates for all hours in excess of 100 hours.

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft and radio engineering	\$4.00 per hour
Laboratory research service	4.00 per hour

[fol. 1859]

Laboratory fuel sample testing	12.50 per test
Flight and crew scheduling	450.00 per month
CAA specification handling	150.00 per month
Services of Supply Dept. Services	

Rates as established in letter purchasing agreement dated July 14, 1948 (as amended).

Other Services

Rates to be negotiated at time of request for service.

[fol. 1860]

## EXHIBIT B

### PAN AMERICAN WORLD AIRWAYS, INC. OFFICIAL PRICE LIST—APRIL 1-June 30, 1950

#### AIRCRAFT SERVICES & OVERHAULS

I Aircraft Type	Service Type	Fixed Price
DC-4 AE & B Models	1	\$ 200.00
	2	450.00
	3 & 4 equalized	1,600.00
	4	1,675.00
	5	2,050.00
	6	9,150.00
	7	10,900.00
	8	9,350.00
		23,500.00

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-6	1	\$ 800.00
	2	1,050.00
	3	2,625.00
	4	3,500.00
	5	11,000.00
	6	12,500.00
	7	14,000.00

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance policy in effect, April 1, 1950, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950 are non-predictable and are to be billed as extras on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour as hereinafter set forth. Labor for modification, conversion and/or customer request items, which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter [fol. 1861] set forth.

## ENGINE &amp; NACELLE OVERHAUL

<i>Engine Type</i>	<i>Fixed Price</i>
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*R-2000*

Bare engine overhaul	\$1,305.00
Nacelle teardown	72.00
Nacelle overhaul	409.50
Nacelle buildup	103.50

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\$1,890.00

*R-2800-15*

Bare engine overhaul	\$2,025.00
Nacelle teardown	139.50
Nacelle overhaul	310.50
Nacelle buildup	270.00

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\$2,745.00

Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion, and/or customer request items which requires time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

1942

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

### III COMPONENT OVERHAUL & OTHER

#### *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division component manual, as [fol. 1862] revised from time to time, shall be overhauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or at the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated May 26, 1950, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times by mutual agreement.

#### IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable rates, as hereinafter set forth.

### V RATES

The applicable labor rates referred to in this Exhibit B shall be as follows:

	Cost per Man/Hour		
	Straight Time	Time and One Half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service			
Work Center	\$5.00	\$6.00	\$7.00
Component Overhaul			
Work Center	4.50	5.50	6.50

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis resulting in overtime hours in excess of 100 hours per project shall be billed at overtime rates for all hours in excess of 100 hours.



VI The applicable material rates referred to in this Exhibit B shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{2}\%$  of material billings  
Inventory Price Variance Dissipation— $1\frac{1}{2}\%$  of material billings

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft and radio engineering

Laboratory research service 450.00 per month

Laboratory fuel sample testing \$ 4.00 per test

[fol. 1863] 4.00 per hour

Flight and crew scheduling 12.50 per test

CAA specification handling 150.00 per month

Services of Supply Dept. Services Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).

Other services

Rates to be negotiated at the time of request for service.

1944

[fol. 1864]

EXHIBIT C

PAN AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST—JULY 1-  
SEPTEMBER 30, 1950.

AIRCRAFT SERVICE & OVERHAULS

I Aircraft Type	Service Type	Fixed Price
DC-4	1	\$ 164.50
	2	376.00
	3	1,386.50
	3 & 4 equalized	1,480.50
	4	1,809.50
	5	8,836.00
	6	10,716.00
	7	8,836.00
DC-6	8	22,090.00
	1	634.50
	2	775.50
	3	2,326.50
	4	3,055.00
	1-4 equalized	893.00
	5	10,340.00
	6	11,750.00
	7	11,515.00

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance policy in effect July 1, 1950, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, are non-predictable and are to be billed as extras on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that

required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variances arising from average inventory pricing procedure, both [fol. 1865] computed at the applicable material rates, as hereinafter set forth.

## II ENGINE AND NACELLE OVERHAUL

<i>Engine Type</i>	<i>Fixed Price</i>
<i>R-2000</i>	
Bare engine overhaul	\$1,210.00
Nacelle overhaul	440.00
Nacelle buildup	110.00
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	\$1,760.00
	<hr/> <hr/>
<i>R-2800-15</i>	
Bare engine overhaul	\$1,980.00
Nacelle overhaul	440.00
Nacelle buildup	264.00
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	\$2,684.00
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Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/

or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above, will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

### III COMPONENT OVERHAUL AND OTHERS

#### *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, [fol. 1866] as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or at the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated May 26, 1950 as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times by mutual agreement.

#### IV *Other*

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for

each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable rates, as hereinafter set forth.

## V

## RATES

The applicable labor rates referred to in this Exhibit C shall be as follows:

	Cost per man/hour		
	Straight Time <sup>1</sup>	Time and One Half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$4.70	\$5.70	\$6.70
Component Overhaul Work Center	4.40	5.40	6.40

VI The applicable material rates referred to in this Exhibit C shall be as follows:

Freight inventory, Dissipation—1½% of material billings  
Inventory Price Variance, Dissipation—½% of material billings

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft and radio engineering	\$ 4.00 per hour
Laboratory research service	4.00 per hour
Laboratory fuel sample testing	12.50 per test
[fol. 1867]	
Flight and crew scheduling	450.00 per month
CAA specification handling	150.00 per month

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis resulting in overtime hours in excess of 100 hours per project shall be billed at overtime rates for all hours in excess of 100 hours.

1948

Services of Supply Dept. services Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).

Other services Rates to be negotiated at time of request for service.

[fol. 1868]

#### EXHIBIT D

PAN AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST—OCTOBER 1-  
DECEMBER 31, 1950

#### AIRCRAFT SERVICES & OVERHAULS

I. Aircraft Type	Service Type	Fixed Price
DC-4	1	\$ 174.80
	2	368.00
	3	1,380.00
	3 and 4 equalized	1,449.00
	4	1,771.00
	5	8,648.00
	6	10,488.00
	7	8,648.00
DC-6	8	21,620.00
	1-4 equalized	874.00
	5	11,270.00
	7	11,270.00

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance policy in effect October 1, 1950, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, are non-predictable and are to be billed as extras on the basis



of actual man/hours of direct labor expended multiplied by the applicable rate per man/hour as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price, to be negotiated at the time such work is requested or if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

[fol. 1869]

## II. ENGINE AND NACELLE OVERHAUL

<i>Engine Type</i>	<i>Fixed Price</i>
<i>R-2000</i>	
Bare engine overhaul	\$1,058.25
Nacelle overhaul	415.00
Nacelle buildup	124.50
	<hr/>
	\$1,597.75
	<hr/>
<i>R-2800-15</i>	
Bare engine overhaul	\$1,763.75
Nacelle overhaul	560.25
Nacelle buildup	186.75
	<hr/>
	\$2,510.75
	<hr/>

Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective

parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or if no price is negotiated, at the applicable labor rates, as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

### III. COMPONENT OVERHAUL AND OTHERS

#### *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division component manual, as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of [fol. 1870] cost, to be determined as of the time of removal from flight equipment at Miami or at the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated May 26, 1950, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times by mutual agreement.

## IV. Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth.

## V. RATES

The applicable labor rates referred to in this Exhibit D, shall be as follows:

	Cost per Man/Hour		
	Straight Time	Time and One Half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$4.60	\$5.60	\$6.60
Component Overhaul Work Center	4.15	5.15	6.15

VI. The applicable material rates referred to in this Exhibit D, shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{2}\%$  of material billings.  
Inventory Price Variance Dissipation— $\frac{1}{2}\%$  of material billings.

VII. The rates applicable to the other special services referred to in Paragraph 65 shall be as follows:

Aircraft and radio engineering	\$ 4.00 per hour
Laboratory research service	4.00 per hour
Laboratory fuel sample testing	12.50 per test
Flight and crew scheduling	450.00 per month

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis resulting in overtime hours in excess of 100 hours per project shall be billed at overtime rates for all hours in excess of 100 hours.

1952

C.A.A. specification handling	\$150.00 per month
Services of Supply Dept. Services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended),
Other Services	Rates to be negotiated at time of request for service.

[fol. 1871] The rates herein established do not provide for retroactive salary adjustments developing from employee contract negotiations. Therefore should additional cost develop through future negotiation on a retroactive basis, such cost will be distributed on a percentage write-up of labor as billed on the above rates retroactive to the agreed upon effective date of such change.

[fol. 1872]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 13

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 9

THIS AGREEMENT, made this 24th day of January, 1951, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "Panagra",

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by eight agreements designated Supplement No. 1 through Supplement No. 8, respectively, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

69. Effective as of October 1, 1950, the following table of rates is hereby substituted for the table of rates appearing in paragraph 67 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 aircraft
Return on Investment		
Working Capital	.37¢	.47¢
Miami Overhaul Base Facilities	.78¢	1.33
Flight Equipment Spare Parts and Assemblies	1.95	1.89
Depreciation on Flight Equipment Spare Parts and Assemblies	5.02	1.93

70. Effective as of October 1, 1950, the following table of rates is hereby substituted for the table of rates appearing in paragraph 3 of Annex 1-B to the Through Flight Agreement:

[fol. 1873]

	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 aircraft
Account 5100—Flying Operations other than Hull Insurance	7.31¢	5.91¢
—Hull Insurance	4.13	7.32
Account 5900—Depreciation	13.47	22.41
Accounts 6200 and 6300— Passenger Service	5.64	5.82
Indirect Costs	7.44	8.17
Return on Investment		
Working Capital	.48	.49
Other	3.98	16.82
Amortization DC-6 Development Costs	—	2.36

1954

71. The last sentence of paragraph 1 A. 4 of Annex 1-A of the Through Flight Agreement is hereby amended to read as follows:

"If Panagra shall base its computations of depreciation of flight equipment used in the charter service on a residual value of such equipment which is increased by the cost of one major overhaul and shall make such computations effective as of May 31, 1947, or an earlier date, PAA will not participate in the related credits resulting from reversal of major overhaul reserves upon sale or other disposition of such equipment corresponding to the amount by which residual values thereof shall have been so increased; provided, however, that if one or more elements of cost of overhaul, i.e., direct labor, materials or burden, are omitted from the amount by which the residual value of such equipment has been so increased, PAA will participate in the credits resulting from reversal upon sale or other disposition of such equipment of that portion of major overhaul reserves which relates to the cost elements omitted from the overhaul cost so included in residual value."

[fol. 1874] IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ E. BALLUDER  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice President



[fol. 1875]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 14

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT No. 10

THIS AGREEMENT, made this 29 day of June, 1951, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by nine agreements designated Supplement No. 1 through Supplement No. 9, respectively, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

72. Effective as of April 1, 1951, the following table of rates is hereby substituted for the table of rates appearing in paragraph 69 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 aircraft
Return on Investment		
Working Capital	.38¢	.51¢
Miami Overhaul Base Facilities	.98¢	1.57
Flight Equipment Spare Parts and Assemblies	1.70	1.75
Depreciation on Flight Equipment Spare Parts and Assemblies	4.75	1.89

1956

73. Effective as of April 1, 1951, the following table of rates is hereby substituted for the table of rates appearing in paragraph 70 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 aircraft
Account 5100—Flying Operations other than Hull Insurance	6.99¢	5.49¢
—Hull Insurance	2.55	6.93
[fol. 1876]		
Account 5900—Depreciation	12.18	20.74
Accounts 6200 and 6300— Passenger Service	6.01	6.24
Indirect Costs	7.58	7.33
Return on Investment		
Working Capital	.47	.49
Other	3.13	17.19
Amortization DC-6 Development Costs	—	2.35

74. The official price lists referred to in paragraph 65 of the Through Flight Agreement relating to the first and second calendar quarters of the calendar year 1951 are attached hereto, marked Exhibit E, January-March 1951, and Exhibit F, April-June 1951, respectively, and made a part hereof, and are hereby accepted by PANAGRA,

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.,

By /s/ E. BALLUDER  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.,

By /s/ K. A. LAWDER  
Vice President

[fol. 1877]

## EXHIBIT E

## PAN AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST—  
JANUARY 1-MARCH 31, 1951

## AIRCRAFT SERVICES &amp; OVERHAULS

I.	<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-4—AE & B Models		1	\$ 197.80
		2	391.00
		3, 4 equalized	1,449.00
		5	8,740.00
		6	10,488.00
		7	8,740.00
		8	20,700.00
		1-4 equalized	\$ 828.00
DC-6		1-4 equalized	\$ 828.00

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance policy in effect January 1, 1951, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, and deicer boots and control surfaces currently on "on condition" replacement basis, are nonpredictable and are to be billed as extras on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

1958

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

[fol. 1878]

## II ENGINE AND NACELLE OVERHAUL

<i>Engine Type</i>	<i>Fixed Price</i>
<i>R-2000</i>	
Bare engine overhaul	\$ 1,037.50
Nacelle teardown & overhaul	415.00
Nacelle buildup	124.50
	<hr/>
	\$ 1,577.00
	<hr/>
<i>R-2800-15</i>	
Bare engine overhaul	\$ 1,763.75
Nacelle teardown & overhaul	560.25
Nacelle buildup	186.75
	<hr/>
	\$ 2,510.75
	<hr/>

Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling engine and nacelle ac-

cessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

### III COMPONENT OVERHAUL AND OTHER

#### *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of [fol. 1879] cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated May 26, 1950, as the same may be revised from time to time.

#### IV *Other*

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

1960

## V RATES

The applicable labor rates referred to in this Exhibit E shall be as follows:

	Cost Per Man/Hour		
	Straight Time	Time and One half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$4.60	\$5.60	\$6.60
Component Overhaul Work Center	4.15	5.15	6.15

VI Applicable material rates referred to in this Exhibit E shall be as follows:

Freight Inventory Dissipation—1% Dr. of material billings.

Inventory Price Variance Dissipation— $\frac{1}{4}$  of 1% Cr. of material billings.

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

[fol. 1880]

Aircraft and radio engineering \$ 4.00 per hour

Laboratory research service 4.00 per hour

Laboratory fuel sample testing 12.50 per test

Flight and crew scheduling and CAA specification handling 600.00 per month

Services of Supply Dept. services

Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).

Other Services

Rates to be negotiated at time of request for service.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis resulting in overtime hours in excess of 100 hours per project shall be billed at overtime rates for all hours in excess of 100 hours.



[fol. 1881]

## EXHIBIT F

## PAN AMERICAN WORLD AIRWAYS, INC.

## OFFICIAL PRICE LIST—

APRIL 1-JUNE 30, 1951

## AIRCRAFT SERVICES &amp; OVERHAULS

I	<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-4—	AE & B Models	1	323.00.
		2	475.00.
		3 Equalized	1,543.75.
		5	10,925.00.
		6	11,875.00.
		7	11,162.50.
		8	21,375.00.
DC-6		1 Transit	451.25.
		2 Equalized	950.00.

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance policy in effect April 1, 1951, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, are non-predictable and are to be billed as extras on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory

1962

prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## ENGINE AND NACELLE OVERHAUL

II <i>Engine Type</i>	<i>Fixed Price</i>
R-2000	
Bare engine overhaul	\$1,062.50.
Nacelle teardown and overhaul	425.00.
Nacelle buildup	127.50.
	<hr/>
	<u>\$1,615.00.</u>
R-2800-15	
Bare engine overhaul	\$1,806.25.
Nacelle teardown and overhaul	573.75.
Nacelle buildup	191.25.
	<hr/>
	<u>\$2,571.25.</u>

Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

[fol.1882] Material consumed in the work referred to above will be billed at the Latin American Division average

inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a mark-up to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

### III COMPONENT OVERHAUL AND OTHER

#### *Component Overhaul.*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated April 1, 1951, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### IV *Other*

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth.

1964

## V LABOR RATES

The applicable labor rates referred to in this Exhibit F shall be as follows:

	Cost Per Man/Hour		
	Straight Time	Time and One half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$4.75	\$5.75	\$6.75
Component Overhaul Work Center	\$4.25	\$5.25	\$6.25

VI The applicable material rates referred to in this Exhibit F shall be as follows:

Freight Inventory Dissipation—1% Dr. of material billings  
Inventory Price

Variance Dissipation— $\frac{1}{4}$  of 1% Cr. of material billings.

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft and radio engineering	\$ 4.00 per hour
Laboratory research service	4.00 per hour
Laboratory fuel sample testing	12.50 per test
Flight and crew scheduling	450.00 per month
CAA specification handling	150.00 per month
Services of Supply Dept. services	Rates as established in Letter Purchasing Agreement dated July 14 1948 (as amended)
Other Services	Rates to be negotiated at time of request for service.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951.

[fol. 1883]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 15

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 11

THIS AGREEMENT, made as of the 1st day of January, 1952, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "Panagra",

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by ten agreements designated Supplement No. 1 through Supplement No. 10, respectively, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, Panagra owns certain Douglas Model DC-6 aircraft, and both PAA and Panagra have on order Douglas Model DC-6B aircraft; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement with regard to flight equipment spare parts and assemblies for maintenance of DC-6 type aircraft as herein set forth;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

75. Paragraph 17(b) of the Through Flight Agreement is amended by adding the following at the end thereof:

"Notwithstanding the foregoing provisions of this Paragraph 17(b), it is agreed as follows with respect to certain of the flight equipment spare parts and assemblies for Douglas Model DC-6 or DC-6B aircraft (such aircraft being herein referred to collectively as "DC-6 type aircraft"):

(i) PAA and Panagra shall establish a joint inventory pool of flight equipment spare parts and assemblies for DC-6 type aircraft consisting of all such spare parts and assemblies owned by PAA

[fol. 1884] from time to time which shall be located at Miami or New York, other than engine parts, line station kits, seats, and such engine nacelles as are not interchangeable for use on aircraft of both parties. Said joint inventory pool will be maintained so long as both PAA and Panagra are operating in revenue service DC-6 type aircraft which are assigned for regular maintenance by PAA at Miami or New York, such aircraft so operated and assigned being hereinafter called "Assigned DC-6 Aircraft". PAA from time to time will acquire such additional flight equipment spare parts and assemblies as it deems appropriate for such inventory pool and will dispose of such items therein as it considers to be no longer required. For the purposes of said inventory pool, items will be classified by type of flight equipment on the basis of major usage in accordance with PAA's existing accounting practice. Transfers either into or out of the inventory pool will be made at PAA's net book value, i.e., recorded inventory cost, delivered at Miami or New York, as the case may be, less the related accumulated reserve for depreciation.

(ii) Panagra hereby sells and transfers to PAA as of January 1, 1952 its inventory of flight equipment spare parts and assemblies for DC-6 type aircraft, other than line station kits, aircraft seats and engine nacelles which are not interchangeable for use on aircraft of both parties. The purchase price thereof shall be net book value, i.e., the recorded inventory cost, delivered at Miami, less the accumulated reserve for depreciation at said date. The purchase price will be paid by crediting Panagra with the amount thereof against the deposit required as provided in subparagraph (iii) below.

(iii) Panagra shall deposit with PAA an amount to be determined in the manner hereinafter provided, which shall represent Panagra's share of the capital cost of said inventory pool. At the outset said deposit shall be an amount equal to the purchase price of the inventory sold by Panagra to PAA in accordance with subparagraph (ii) above. As of each of



the dates on which Panagra's two DC-6B aircraft now on order are, respectively, placed in revenue operation, said deposit will be increased by \$175,000. As of April 1, 1953, or such other date as may be mutually agreed upon, as of the close of each calendar quarter thereafter, and as of each date on which the number of Assigned DC-6 Aircraft shall thereafter change, the amount of said deposit will be adjusted through the application of the following provisions and an appropriate cash payment will be made to reflect such adjustment. Each adjustment provided for above in the amount of said deposit shall be an adjustment to one of the following amounts, whichever shall be the lesser:

(a) An amount which bears the same ratio to the net book value of said inventory pool as the number of Panagra's Assigned DC-6 Aircraft at the time as of which such adjustment is made bears to the total number of Assigned DC-6 Aircraft at such time; or

(b) \$175,000 (or such other amount as may be fixed as hereinafter provided) less the related [fol. 1886] amount of reserve for depreciation, multiplied by the number of Panagra's Assigned DC-6 Aircraft at such time. The related amount of reserve for depreciation to be deducted in accordance with this clause (b) shall be an amount which bears the same ratio to the total reserve for depreciation on all items in such joint inventory pool at such time as \$175,000 (or such other amount as may be so fixed) bears to the total original inventory cost of the aggregate of all the items in said joint inventory pool at such time;

provided, however, that there shall be no adjustment in the amount of such deposit in connection with the decrease in the number of Assigned DC-6 Aircraft of either party unless such party shall withdraw a proportionate share of such joint inventory pool in connection with such decrease as provided in subparagraph (v) below. The parties agree to review

and adjust the \$175,000 figure set forth in the preceding sentence, on a prospective basis, upon the request of either party; and, in the event the parties are unable to agree upon such figure on any such review, such figure shall be fixed prospectively as of the date such review is requested, by arbitration in accordance with Paragraph 25 hereof, it being understood that such figure is intended to represent an amount equal to approximately 15% of the selling price quoted at the time by the manufacturer for an aircraft similar to the DC-6B, fully equipped for flight.

(iv) Pending the placing of Panagra's first DC-6B aircraft in revenue operation, a monthly depreciation [fol. 1887] charge calculated on an inventory cost equal to the original cost to Panagra of the inventory of flight equipment spare parts and assemblies sold by Panagra to PAA in accordance with subparagraph

(ii) above shall be assigned to Panagra, and the remainder of the monthly depreciation charge on the items in said joint inventory pool, after deducting the amount so assigned to Panagra, shall be assigned to PAA. During each month commencing with the first month following the placing in revenue operation of the first Panagra DC-6B aircraft and ending with March, 1953, or such other month as may be mutually agreed upon, the depreciation charge to Panagra shall be computed on the basis of an inventory of original cost of \$175,000, multiplied by the number of Panagra's Assigned DC-6 Aircraft at the beginning of the month for which the depreciation is calculated. Commencing as of the termination of the period referred to in the preceding sentence, depreciation expense on said joint inventory pool will be charged in accordance with the provisions of Paragraph B. of Annex 2 of the Through Flight Agreement; provided, however, that the depreciation charge to Panagra for any month shall not exceed the depreciation calculated on an original investment in such flight equipment spare parts and assemblies in the amount of \$175,000, or such other figure as

may be fixed in accordance with the last sentence of subparagraph (iii) above, multiplied by the number of Panagra's Assigned DC-6 Aircraft at the beginning of such month. For the purposes of the two preceding sentences, the number of Panagra's Assigned DC-6 Aircraft shall not be deemed to have been decreased at any time unless Panagra shall, in [fol. 1888] connection with such decrease, withdraw a proportionate share of said joint inventory pool as provided in subparagraph (v) below. For the purposes of Paragraph B. of Annex 2, the rate of issue out for the account of Panagra of items in said joint inventory pool shall be deemed not to have decreased as a result of any decrease in the number of Panagra's Assigned DC-6 Aircraft unless such rate shall actually decrease and Panagra shall, in connection with such decrease in number of Panagra's Assigned DC-6 Aircraft, so withdraw a proportionate share of said joint inventory pool.

(v) In the event that the number of the Assigned DC-6 Aircraft of either party is reduced, either through loss, transfer, sale, or otherwise, the party with respect to which such number is reduced shall have the option, to be exercised by notice in writing given to the other within thirty days after such reduction, of withdrawing a proportionate share of the items in said joint inventory pool, which share shall (a) comprise that number of each type of items in said joint inventory pool which bears approximately the same ratio to the total number of items of such type therein as the number by which the number of Assigned DC-6 Aircraft of such party is so reduced by such event bears to the total number of Assigned DC-6 Aircraft immediately prior to such reduction, and (b) have an aggregate net book value which bears the same ratio to the total net book value of all items in said joint inventory pool at the time of such reduction as is provided in the preceding clause (a). In the event the Through Flight Agreement [fol. 1889] shall terminate while said joint inventory pool is required to be maintained in accordance with

subparagraph (i) above, Panagra shall have the option, to be exercised by notice in writing given to PAA within thirty days after such termination, of withdrawing its proportionate share of the items in said joint inventory pool at the date of such termination, which share shall be determined as provided in the next preceding sentence. Any items of inventory withdrawn by Panagra pursuant to this subparagraph (v) shall be sold to Panagra at a price equal to net book value.

(vi) In the event the Through Flight Agreement terminates while said joint inventory pool is required to be maintained in accordance with subparagraph (i), or in the event said joint inventory pool is no longer required to be maintained in accordance with subparagraph (i) above, the deposit provided for in subparagraph (iii) above remaining at such time, if any, after any exercise of the options provided in subparagraph (v) above and after adjustment as provided in subparagraph (iii) shall either (a) be returned to Panagra if such event occurs after PAA has ceased accruing depreciation on the items in said joint inventory pool, or (b) be retained by PAA if such event occurs before PAA has ceased accruing depreciation on said items, and thereupon all options of Panagra to acquire any share of said inventory shall terminate.

[fol. 1890] (vii) In consideration of the deposit referred to in subparagraph (iii) above, no charge shall be made by PAA to Panagra for return on investment in the flight equipment spare parts and assemblies in such inventory pool. For the purpose of calculating the return on investment payable by PAA to Panagra provided for in accordance with the provision of Paragraph 17(a), the deposit established in accordance with subparagraph (iii) above shall be considered as investment of Panagra in flight equipment spare parts and assemblies for DC-6 type aircraft.

1971

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their officers thereunto duly authorized, on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ E. BALLUDER  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President &  
General Manager

[fol.1891]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 16

[Handwritten notation—1405:1 See Memo of 2 14 52 From JAM to VP Balluder]

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 12

April

THIS AGREEMENT, made this 10th day of ~~February~~, 1952, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by eleven agreements designated Supplement No. 1 through Supplement No. 11, respectively, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

1972

76. Effective as of October 1, 1951, the following table of rates is hereby substituted for the table of rates appearing in paragraph 72 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 aircraft
Return on Investment		
Working Capital	.44¢	.53¢
Miami Overhaul Base Facilities	.85¢	1.07
Flight Equipment Spare Parts and Assemblies	1.42	1.53
	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 aircraft
Depreciation on Flight Equipment Spare Parts and Assemblies	4.73	1.66

77. Effective as of October 1, 1951, the following table of rates is hereby substituted for the table of rates appearing in paragraph 73 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 aircraft
Account 5100—Flying Operations other than Hull Insurance	6.34	5.41
—Hull Insurance	3.92	7.94
[fol. 1892]		
Account 5900—Depreciation	9.60	21.73
Accounts 6200 and 6300— Passenger Service	4.94	5.26
Indirect Costs	6.29	6.78
Return on Investment		
Working Capital	.50¢	.55¢
Other	2.48	16.50
Amortization DC-6 Development Costs	—	2.35



78. The official price lists referred to in paragraph 65 of the Through Flight Agreement relating to the third and fourth calendar quarters of the calendar year 1951 and the first calendar quarter of the calendar year 1952 are attached hereto, marked Exhibit G, July-September 1951; Exhibit H, October-December 1951 and Exhibit I January-March 1952, respectively, and made a part hereof, and are hereby accepted by PANAGRA.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.,

By .....  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.,

By .....  
Vice President

[fol. 1893]

### EXHIBIT G

PAN AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST—JULY 1-  
SEPT. 30, 1951

### AIRCRAFT SERVICES & OVERHAULS

1	Aircraft Type	Service Type	Fixed Price
	DC-4—AE & B Models	1	341.25
		2	455.00
		3 Equalized	1,592.50
		5	10,806.25
		6	11,557.00
		7	11,011.00
		8	18,200.00
	DC-6	1 Transit	432.25
		2 Equalized	978.25
		6	12,285.00

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance policy in effect July 1, 1951, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, as amended, are non-predictable and are to be billed as extras on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## ENGINE AND NACELLE OVERHAUL

### II : *Engine Type*

### *Fixed Price*

#### *R-2000*

Bare engine overhaul	\$1,050.00
Nacelle teardown and overhaul	420.00
Nacelle buildup	126.00
	<hr/>
	\$1,596.00
	<hr/>

[fol. 1894]

#### *R-2800-15*

Bare engine overhaul	\$1,785.00
Nacelle Teardown and overhaul	567.00
Nacelle buildup	189.00
	<hr/>
	\$2,541.00
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## ENGINE AND NACELLE OVERHAUL

### II

Power plant overhaul prices include the labor necessary to disassemble clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

## COMPONENT OVERHAUL AND OTHER

### III *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated July 1, 1951, as the same may be revised

1976

from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as herein-after set forth.

[fol. 1895]

#### RATES

V The applicable labor rates referred to in this Exhibit G shall be as follows:

	Cost Per Man/Hour		
	Straight Time	Time and One half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$4.55	\$5.55	\$6.55
Component Overhaul Work Center	4.20	5.20	6.20

VI The applicable material rates referred to in this Exhibit G shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{4}\%$  Dr. of material billings

Inventory Price Variance Dissipation— $\frac{1}{4}$  of  $1\%$  Cr. of material billings.

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<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft and radio engineering	\$ 4.00 per hour
Laboratory research service	4.00 per hour
Laboratory fuel sample testing	12.50 per test
Flight and crew scheduling	450.00 per month
CAA specification handling	150.00 per month
Services of Supply Dept. services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended)
Other Services	Rates to be negotiated at time of request for service.

[fol. 1896]

## EXHIBIT II

### PAN AMERICAN WORLD AIRWAYS, INC. OFFICIAL PRICE LIST—OCT. 1—DEC. 31, 1951

#### AIRCRAFT SERVICES & OVERHAULS

I Aircraft Type	Service Type	Fixed Price
DC-4—AE & B Models	1	\$ 361.
	2	468.
	3 (Equalized 3-4)	1,488.
	5	11,475.
	6	12,325.
	7	11,730.
	8	19,444.
DC-6	1 (Transit)	318.
	2 (Equalized 1-4)	978.
	6	11,475.

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance policy in effect October 1, 1951, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, as amended, are non-predictable and are to be billed as extras on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory and a markup to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## ENGINE AND NACELLE OVERHAUL

II Engine Type	Fixed Price
<i>R-2000</i>	
Bare engine overhaul	\$1,134.
Nacelle teardown and overhaul	420.
Nacelle buildup	126.
	<hr/>
	\$1,680.
	<hr/>
<i>R-2800-15</i>	
Bare engine overhaul	\$1,785.
Nacelle teardown and overhaul	567.
Nacelle buildup	189.
	<hr/>
	\$2,541.
	<hr/>



## [fol. 1897] ENGINE AND NACELLE OVERHAUL

II Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variances arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

## COMPONENT OVERHAUL AND OTHER

III *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated October 1, 1951, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

## IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as herein-after set forth.

## V RATES

The applicable labor rates referred to in this Exhibit H shall be as follows:

	Cost per Man Hour		
	Straight Time	Time and One Half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$4.25	\$5.25	\$6.25
Component Overhaul Work Center	4.20	5.20	6.20

[fol. 1898] VI The applicable material rates referred to in this Exhibit H shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{4}\%$  Dr. of material billings.

Inventory Price Variance Dissipation— $\frac{1}{4}$  of 1% Dr. of material billings.

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft engineering	\$ 4.50 per hour
Radio Engineering	4.00 per hour
Laboratory research service	4.50 per hour
Laboratory fuel sample testing	15.75 per test
Flight and crew scheduling	450.00 per month
CAA specification handling	150.00 per month

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

Services of Supply Dept. services

Rates as established  
in Letter Purchasing  
Agreement dated  
July 14, 1948 (as  
amended).

Other Services

Rates to be negotia-  
ted at time of request  
for service.

[fol. 1899]

## EXHIBIT 4

PAN AMERICAN WORLD AIRWAYS, INC.  
OFFICIAL PRICE LIST—JAN. 1-MAR. 31, 1952

## AIRCRAFT SERVICES &amp; OVERHAULS

I Aircraft Type	Service Type	Fixed Price
DC 4—AE & B Models	1	\$ 391.
	2	506.
	3 (Equalized 3-4)	1,610.
	5	12,420.
	6	13,340.
	7	12,696.
	8	21,045.
DC-6	1 (Transit)	345.
	2 (Equalized 1-4)	1,196.

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance policy in effect January 1, 1952, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, as amended, are non-predictable and are to be billed as extras on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that

required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

### ENGINE AND NACELLE OVERHAUL

#### II *Engine Type*

#### *Fixed Price*

##### *R-2000*

Bare engine overhaul	\$1,188.
Nacelle teardown and overhaul	440.
Nacelle buildup	132.
	<hr/>
	\$1,760.
	<hr/>

##### *R-2000-15*

Bare engine overhaul	\$1,870.
Nacelle teardown and overhaul	594.
Nacelle buildup	198.
	<hr/>
	\$2,662.
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### [fol. 1900] ENGINE AND NACELLE OVERHAUL

II Power-plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/

or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

## COMPONENT OVERHAUL AND OTHER

### III *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated January 1, 1952, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### *Propeller Overhaul*

##### *Propeller Type*

DC-4  
DC-6

##### *Fixed Price*

\$ 176.  
198.

1984

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rate as hereinafter set forth for each man/hour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed [fol: 1901] at actual man/hours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

#### IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

#### V

#### RATES

The applicable labor rates referred to in this Exhibit I shall be as follows:

	Cost per Man/Hour		
	Straight Time	Time and One Half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$4.60	\$5.60	\$6.60
Component Overhaul Work Center	4.40	5.40	6.40

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.



VI The applicable material mates referred to in this Exhibit I shall be as follows:

Freight Inventory Dissipation—1<sup>1</sup>/<sub>4</sub> Dr. of material billings.

Inventory Price Variance Dissipation—1<sup>1</sup>/<sub>4</sub> of 1% Dr. of material billings.

VII. The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 4.50 per hour
Radio Engineering	4.00 per hour
Laboratory research service	4.50 per hour
Laboratory fuel sample testing	15.75 per test
	450.00
Flight and crew scheduling	<del>700.00</del> per month
CAA specification handling	150.00 per month
Services of Supply Dept. services	

Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).

Other Services

Rates to be negotiated at time of request for service.

1986

[fol. 1902]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 17

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THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 13

THIS AGREEMENT, made this 25th day of September, 1952, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA," and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by twelve agreements designated Supplement No. 1 through Supplement No. 12, respectively, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

79. The following schedule of rates for charges to Panagra pursuant to paragraph 8 of the Through Flight Agreement for training is hereby substituted for the schedule of rates set forth in paragraph 61, effective as of April 1, 1952:

<i>School</i>	<i>Associated and Affiliated Companies</i>
Miami—Ground Training	\$1.7989 (Dollars per hour)
Miami—Link	10.5502
Miami—Pilot	23.5611

*Aircraft Type**Hourly*

DC-3

66.5383

DC-4

156.0552

CV-240

243.7815

C-46

123.7071

The flight training charges per hour hereunder shall be the sum of the school rate and the aircraft rate for the type aircraft used.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice President

[fol. 1903]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 18

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 14

THIS AGREEMENT, made this 8th day of May, 1953, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by thirteen agreements designated Supplement No. 1 through Supplement No. 13, respectively, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

1988

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

80. Effective as of April 1, 1952, the following table of rates is hereby substituted for the table of rates appearing in paragraph 76 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 or DC-6B aircraft
Return on Investment		
Working Capital	.44¢	.74¢
Miami Overhaul Base Facilities	.85¢	1.13
Flight Equipment Spare Parts and Assemblies (R-2800 only)	1.42	1.21
Depreciation on Flight Equipment Spare Parts and Assemblies	4.73	1.11

The above rates with respect to DC-4 aircraft are applicable only to and including April 30, 1952 at which date scheduled operations with DC-4 equipment under the Through Flight Agreement were terminated.

81. Effective as of October 1, 1952, the following table of rates is hereby substituted for the table of rates appearing in paragraph 80 of the Through Flight Agreement:

1989

[fol. 1904]

	Cents per revenue mile flown with DC-6 Aircraft	Cents per revenue mile flown with DC-6B Aircraft
Return on Investment		
Working Capital	.75¢	.75¢
Miami Overhaul Base Facilities	.89¢	.89¢
Flight Equipment Spare Parts and Assemblies	.81¢	.81¢
Depreciation on Flight Equipment Spare Parts and Assemblies	.82¢	.82¢

82. Effective as of April 1, 1952, the following table of rates is hereby substituted for the table of rates appearing in paragraph 77 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-4 aircraft	Cents per revenue mile flown with DC-6 aircraft	Cents per revenue mile flown with DC-6B aircraft
Account 5100—			
Flying Operations			
Other than Hull	8.93	7.00	7.07
Insurance			
—Hull Insurance	4.00	8.00	7.56
Account 5900—			
Depreciation	5.65	23.76	28.09
Accounts 6200 and 6300—Passenger	6.32	6.91	7.15
Service			
Indirect Costs	8.39	8.68	10.74
Return on Investment			
Working Capital	.57¢	.62¢	.66¢
Other	3.13	15.36	33.99
Amortization DC-6 Development Costs	—	2.12	—

1990

The above rates with respect to DC-4 aircraft are applicable only to and including, April 30, 1952, at which date scheduled operations with DC-4 equipment under the Through Flight Agreement were terminated.

83. Effective as of October 1, 1952, the following table of rates is hereby substituted for the table of rates appearing in paragraph 82 of the Through Flight Agreement:

[fol. 1905]

	Cents per. revenue mile flown with DC-6 aircraft	Cents per revenue mile flown with DC-6B aircraft
Account 5100—Flying Operations		
other than Hull Insurance	7.00	7.07
—Hull Insurance	7.50	7.08
Account 5900—Depreciation	24.47	29.48
Accounts 6200 and 6300—		
Passenger Service	6.91	7.15
Indirect Costs	7.83	9.69
Return on Investment—		
Working Capital	.61¢	.64¢
Other	13.93	36.88
Amortization DC-6		
Development Costs	.91¢	—

84. The official price lists referred to in paragraph 65 of the Through Flight Agreement relating to the second, third and fourth calendar quarters of the calendar year 1952 and the first calendar quarter of the calendar year 1953 are attached hereto, marked Exhibit J, April-June 1952, Exhibit K, July-September 1952, Exhibit L, October-December 1952 and Exhibit M, January-March 1953, respectively, and made a part hereof, and are hereby accepted by PANAGRA.

85. Effective May 1, 1952, the prices set forth in Exhibits J, K, L and M for maintenance and overhaul of Panagra's DC-4 aircraft will be subject to a surcharge of 10.55% of the total price as otherwise determined in ac-



cordance with the provisions of the applicable Exhibits to cover the amounts payable under paragraphs B and C of Annex 2 to the Through Flight Agreement in respect of maintenance of DC-4 aircraft.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized, on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ ALVIN P. ADAMS  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice President

[fol. 1906]

### EXHIBIT J

#### PAN AMERICAN WORLD AIRWAYS, INC. OFFICIAL PRICE LIST—APRIL 1-JUNE 30, 1952 AIRCRAFT SERVICES & OVERHAULS

I	Aircraft Type	Service Type	Fixed Price
	DC-4—AE & B		
	Models	1	\$ 412.
		2	728.
		3 (Equalized 3-4)	1,698.
		5	16,733.
		6	17,703.
		7	16,878.
		8	25,220.
	DC-6	1 (Transit)	
		Excluding engine or	412.
		2 (Equalized 1-4) ) supercharger change	1,334.
		Engine change	146.
		Supercharger change	78.

The above prices for aircraft services include the labor necessary to perform all routine and inspection items con-

tained in aircraft service work forms and declarations of maintenance policy in effect April 1, 1952, except that certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, as amended, are non-predictable and are to be billed as extras on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## ENGINE AND NACELLE OVERHAUL

### II *Engine Type* *Fixed Price*

#### *R-2000*

Bare engine overhaul when part of power package overhaul	\$1,202.
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Bare engine overhaul when not part of power package overhaul	1,291.
--	--------

Nacelle teardown and overhaul—	
Routine	445.

Nacelle buildup	134.
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#### *R-2800-15*

Bare engine overhaul when part of power package overhaul	\$1,891.
--	----------

Bare engine overhaul when not part of power package overhaul	1,891.
--	--------

Nacelle teardown and overhaul—	
Routine	601.

Nacelle buildup	245.
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## [fol. 1907] ENGINE AND NACELLE OVERHAUL

II Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

## COMPONENT OVERHAUL AND OTHER

III *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the "Component Overhaul Price List" dated April 1, 1952, as the same may be revised for time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

1994

### *Propeller Overhaul*

#### *Propeller Type*

#### *Fixed Price*

DC-4

\$ 178

DC-6

\$ 200

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rate as hereinafter set forth for each man/hour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual man/hours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

#### *IV Other*

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

[fol. 1908]

#### *V*

#### *RATES*

The applicable labor rates referred to in this Exhibit J shall be as follows:

	Cost per Man Hour		
	Negotiated Time	Time and one Half	Double Time
Aircraft Service Work Center	\$4.85	\$5.85	\$6.85
Component Overhaul Work Center	4.45	5.45	6.45

VI The applicable material rates referred to in this Exhibit J shall be as follows:-

Freight Inventory Dissipation— $1\frac{1}{2}\%$  Dr. of material billings.  
Inventory Price Variance Dissipation— $1\frac{1}{2}$  of  $1\%$  Dr. of material billings.

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 4.50 per hour
Radio Engineering	4.00 per hour
Laboratory research service	4.50 per hour
Laboratory fuel sample testing	15.75 per test
Flight and crew scheduling	450.00 per month
CAA specification handling	150.00 per month
Services of Supply Dept. services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).
Other Services	Rates to be negotiated at time of request for service.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

1996

[fol. 1909]

## EXHIBIT K

### PAN-AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST JULY 1-SEPT. 30, 1952

#### AIRCRAFT SERVICES & OVERHAULS

I Aircraft Type	Service Type	Fixed Price
DC-4—AE & B Models	All Services	Flat rate per actual Man Hours expended
DC-6	All Services	Flat rate per actual Man Hours expended

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations and

of maintenance policy in effect July 1, 1952, xxxxxxxx certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, as amended, xxxxxxxx and are to be billed xxxxxxxx the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

[Changes in first paragraph initialed by KAL and BALL.]



## ENGINE AND NACELLE OVERHAUL

## II Engine Type

## Fixed Price

## R-2000

Bare engine overhaul when part of power package overhaul	\$1,202
Bare engine overhaul when not part of power package overhaul	1,291
Nacelle teardown and overhaul— Routine	445
Nacelle buildup	134

## R-2800-15

Bare engine overhaul when part of power package overhaul	\$1,891
Bare engine overhaul when not part of power package overhaul	1,891
Nacelle teardown and overhaul— Routine	601
Nacelle buildup	245

[fol. 1910] Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each min./hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

## COMPONENT OVERHAUL AND OTHER

### FII Component Overhaul

All flight equipment accessories classified as components in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line stations, in accordance with the "Component Overhaul Price List" dated April 1, 1952, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

### Propeller Overhaul

#### Propeller Type

#### Fixed Price

DC-4

\$178

DC-6

\$200

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rate as hereinafter set forth for each man/hour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual man/hours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price vari-

ance markups at the applicable material rates, as herein-after set forth.

#### IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

[fol. 1911]

V

#### RATES

The applicable labor rates referred to in this Exhibit K shall be as follows:

	Cost per Man Hour		
	Straight Time	Time and one Half	Double Times
Aircraft Service Work Center	\$4.95	\$5.95	\$6.95
Component Overhaul Work Center	4.45	5.45	6.45

VI The applicable material rates referred to in this Exhibit K shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{2}\%$  Dr. of material billings.

Inventory Price Variance Dissipation— $1\frac{1}{2}$  of  $1\%$  Dr. of material billings.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 date March 1, 1951, as amended from time to time.

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 4.50 per hour
Radio Engineering	4.00 per hour
Laboratory research service	4.50 per hour
Laboratory fuel sample testing	15.75 per test
Flight and crew scheduling	450.00 per month
C&A specification handling	150.00 per month
Services of Supply Dept. services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).

Other Services

Rates to be negotiated at time of request for service.

[fol. 1912]

### EXHIBIT L

#### PAN AMERICAN WORLD AIRWAYS, INC. OFFICIAL PRICE LIST Oct. 1-DEC. 31, 1952 AIRCRAFT SERVICES & OVERHAULS

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-4—AE & B Models	All Services	Flat rate per actual Man Hours expended.
DC-6	All Services	Flat rate per actual Man Hours expended.

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of and maintenance policy in effect October 1, 1952, xxxxxxxx certain specific types of aircraft work as stated in "Stand-

[Changes in first paragraph initialed by KAL and BALL.]

and Control Procedure" #136-11 dated January 1, 1950, as amended, xxxxxxxxxxxxxxxxxxxx and are to be billed xxxx xxxx on the basis of actual man hours of direct labor expended multiplied by the applicable labor rate per man/hour; as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## ENGINE AND NACELLE OVERHAUL

II. Engine Type	Fixed Price
<i>R-2000</i>	
Bare engine overhaul when part of power package overhaul	\$ 1,313
Bare engine overhaul when not part of power package overhaul	1,402
Nacelle teardown and overhaul—Routine	445
Nacelle buildup	134
<i>R-2800-15</i>	
Bare engine overhaul when part of power package overhaul	\$ 1,891
Bare engine overhaul when not part of power package overhaul	1,891
Nacelle teardown and overhaul—Routine	601
Nacelle buildup	245

[fol. 1913]

**ENGINE AND NACELLE  
OVERHAUL**

II Power plant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each/man hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work: as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

**COMPONENT OVERHAUL AND OTHER****III Component Overhaul**

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a flat price per individual component, including all elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations, in accordance with the "Component Overhaul Price List" dated July 1, 1952, as supplemented by revision lists dated October 1, 1952 and, as the same may be revised



from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

*Propeller Overhaul*  
*Propeller Type*

*Fixed Price*

DC-4

\$ 178

DC-6

\$ 227

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rate as hereinafter set forth for each man/hour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual man/hours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

*IV Other*

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

[fol. 1914]

V

**RATES**

The applicable labor rates referred to in this Exhibit L shall be as follows:

	Cost per Man Hour		
	Straight Time	Time and one half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service			
Work Center	\$ 5.00	\$ 6.00	\$ 7.00
Component Overhaul			
Work Center	4.45	5.45	6.45

VI The applicable material rates referred to in this Exhibit L shall be as follows:

Freight Inventory Dissipation—1½% Dr. of material billings.

Inventory Price Variance Dissipation—½ of 1% Dr. of material billings.

The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 4.50 per hour
Radio Engineering	4.00 per hour
Laboratory research service	4.50 per hour
Laboratory fuel sample testing	18.20 per test
Flight and crew scheduling	450.00 per month
CAA specification handling	150.00 per month
Services of Supply Dept. services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).
Other Services	Rates to be negotiated at time of request for service.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

[fol. 1915]

## EXHIBIT M

PAN-AMERICAN WORLD AIRWAYS, INC.  
 OFFICIAL PRICE LIST JAN. 1-MAR. 31, 1953  
 AIRCRAFT SERVICES & OVERHAULS

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-4—AE & B Models	All Services	Flat rate per actual Man Hours expended
DC-6	All Services	Flat rate per actual Man Hours expended

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of and

maintenance policy in effect January 1, 1953, xxxxxxxx certain specific types of aircraft work as stated in "Standard Control Procedure" 136-11 dated January 1, 1950, as amended, xxxxxxxxxxxxxxxx and are to be billed xxxxxxxx on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory

[Changes in first paragraph initialed by KAL and BALL.]

prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## ENGINE AND NACELLE OVERHAUL

### II *Engine Type* *Fixed Price*

#### *R-2000*

Bare engine overhaul when part of power package overhaul	\$1,524
Bare engine overhaul when not part of power package overhaul	1,593
Nacelle teardown and overhaul—	
Routine	455
Nacelle buildup	137

#### *R-2800-16*

Bare Engine overhaul when part of power package overhaul	\$1,934
Bare engine overhaul when not part of power package overhaul	1,934
Nacelle teardown and overhaul—	
Routine	614
Nacelle buildup	250

### [fol. 1916] ENGINE AND NACELLE OVERHAUL

II Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

## COMPONENT OVERHAUL AND OTHER

### III *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations in accordance with the "Component Overhaul Price List" dated January 1, 1953, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### *Propeller Overhaul*

<i>Propeller Type</i>	<i>Fixed Price</i>
DC-4	\$182
DC-6	232

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated,

at the applicable labor rate as hereinafter set forth for each man/hour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual man/hours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

#### IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

[fol. 1917]

#### V

#### RATES

The applicable labor rates referred to in this Exhibit M shall be as follows:

	Cost per Man Hour		
	Straight Time	Time and one half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$5.15	\$6.15	\$7.15
Component Overhaul Work Center	4.55	5.55	6.55

VI The applicable material rates referred to in this Exhibit M shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{2}\%$  Dr. of material billings.  
Inventory Price Variance Dissipation— $\frac{1}{2}$  of  $1\%$  Dr. of material billings.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.



VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 4.50 per hour
Radio Engineering	4.00 per hour
Laboratory research service	4.50 per hour
Laboratory fuel sample testing	18.20 per test
Flight and crew scheduling	450.00 per month
CAA specification handling	150.00 per month
Services of Supply Dept. services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).
Other Services	Rates to be negotiated at time of request for service.

[fol. 1918]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 19

### THROUGH FLIGHT AGREEMENT— SUPPLEMENT NO. 15

THIS AGREEMENT, made this 20th day of January, 1954, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by fourteen agreements designated Supplement No. 1 through Supplement No. 14, respectively, said agreement as so supplemented and amended being hereinafter referred to, as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

86. Effective as of April 1, 1953, the following table of rates is hereby substituted for the table of rates appearing in paragraph 81 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-6 type aircraft
Return on Investment	
Working Capital	.71¢
Miami Overhaul Base Facilities	1.16
Flight Equipment Spare Parts and Assemblies (R-2800 engine parts only)	.70¢
Depreciation on Flight Equipment Spare Parts and Assemblies (R-2800 engine parts only)	.66¢

87. Effective as of October 1, 1953, the following table of rates is hereby substituted for the table of rates appearing in paragraph 86 of the Through Flight Agreement:  
[fol. 1919]

	Cents per revenue mile flown with DC-6 type aircraft
Return on Investment	
Working Capital	.72¢
Miami Overhaul Base Facilities	1.07
Flight Equipment Spare Parts and Assemblies (R-2800 engine parts only)	.58¢
Depreciation on Flight Equipment Spare Parts and Assemblies (R-2800 engine parts only)	.60¢

88. Effective as of April 1, 1953, the following table of rates is hereby substituted for the table of rates appearing in paragraph 83 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-6 aircraft	Cents per revenue mile flown with DC-6B aircraft
Account 5100—Flying Operations other than Hull Insurance	7.60	7.83
—Hull Insurance	7.12	6.41
Account 5900—Depreciation	23.84	26.61
Accounts 6200 and 6300— Passenger Service	6.47	6.94
Indirect Costs	8.30	10.30
Return on Investment Working Capital	.61¢	.67¢
Other	13.10	36.01

89. Effective as of October 1, 1953, the following table of rates is hereby substituted for the table of rates appearing in paragraph 88 of the Through Flight Agreement:  
[fol. 1920]

	Cents per revenue mile flown with DC-6 aircraft	Cents per revenue mile flown with DC-6B aircraft
Account 5100—Flying Operations other than Hull Insurance	7.61	8.02
—Hull Insurance	7.12	6.41
Account 5900—Depreciation	24.57	27.61
Accounts 6200 and 6300— Passenger Service	6.63	7.12
Indirect Costs	8.30	10.30
Return on Investment— Working Capital	.62¢	.66¢
Other	10.42	31.87

90. The official price lists referred to in paragraph 65 of the Through Flight Agreement relating to the second, third and fourth calendar quarters of the calendar year 1953 and the first calendar quarter of the calendar year 1954 are attached hereto, marked Exhibit N, April-June 1953, Exhibit O, July-September 1953, Exhibit P, October-December 1953 and Exhibit Q, January-March 1954, respectively, and made a part hereof, and are hereby accepted by PANAGRA.

91. As provided in Exhibits N, O, P and Q, the prices set forth therein for maintenance and overhaul of Panagra's DC-4 aircraft will be subject to a surcharge of 10.55% of the total price as otherwise determined in accordance with the provisions of the applicable Exhibits to cover the amounts payable under paragraphs B and C of Annex 2 to the Through Flight Agreement in respect of maintenance of DC-4 aircraft.

92. Effective as of April 1, 1953 the following table of rates shall be established as the monthly depreciation charge on the joint DC-6 FESPA inventory pool for the period April 1, 1953 through March 31, 1954 as contemplated under sub-paragraph (iv) of paragraph 75:

April through June 1953	\$6,940 per month
July through September 1953	\$8,675 per month
October through December 1953	\$7,868 per month
January through March 1954	\$7,868 per month

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly [fol. 1921] authorized, on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ E. BALLUDER  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice-President

[fol. 1922]

## EXHIBIT N

PAN AMERICAN WORLD AIRWAYS, INC.  
 OFFICIAL PRICE LIST APRIL 1-JUNE 30, 1953  
 AIRCRAFT SERVICES & OVERHAULS

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-4—AE & B Models	All Services	Flat rate per actual Man Hours expended
DC-6	All Services	Flat rate per actual Man Hours expended

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of maintenance and

tenance policy in effect April 1, 1953, / xxxxxxxxxxxx certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, as amended, xxxxxxxxxxxx and are to be billed xxxxxxxxxxxx on the basis of actual man/hours of direct labor expended multiplied by the applicable labor rate per man/hour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man/hour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory

[Changes in first paragraph initialed by KAL and BALL.]

at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## ENGINE AND NACELLE OVERHAUL

### II *Engine Type* *Fixed Price*

#### *R-2000*

Bare engine overhaul when part of power package overhaul	\$1,558
Bare engine overhaul when not part of power package overhaul	1,628
Nacelle teardown and overhaul—	
Routine	465
Nacelle buildup	140

#### *R-2800-16*

Bare engine overhaul when part of power package overhaul	\$1,976
Bare engine overhaul when not part of power package overhaul	1,976
Nacelle teardown and overhaul—	
Routine	628
Nacelle buildup	256

### [fol. 1923] II ENGINE AND NACELLE OVERHAUL

Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory



prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

## COMPONENT OVERHAUL AND OTHER

### III Component Overhaul

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations, in accordance with the "Component Overhaul Price List" dated April 1, 1953, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### Propeller Overhaul

##### Propeller Type

##### Fixed Price

DC-4

\$209

DC-6

237

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rate as hereinafter set forth for each man/hour of direct labor utilized. Propeller repair

work when not forming part of a normal overhaul, will be billed at actual man/hours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

#### IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per man/hour for each man/hour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

[fol. 1924]

#### V

#### RATES

The applicable labor rates referred to in this Exhibit N shall be as follows:

	Cost per Man Hour		
	Straight Time	Time and one half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$5.25	\$6.25	\$7.25
Component Overhaul Work Center	4.65	5.65	6.65

VI The applicable material rates referred to in this Exhibit N shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{2}\%$  Dr. of material billings.  
Inventory Price Variance Dissipation— $\frac{1}{2}$  of  $1\%$  Dr. of material billings.

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

Aircraft Engineering	\$ 5.00 per hour
Radio Engineering	4.50 " "
Laboratory research service	5.35 " "
Laboratory fuel sample testing	21.40 per test
Flight and crew scheduling	✓ 450.00 per month
CAA specification handling	✓ 150.00 " "
Services of Supply Dept. services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended)
Other Services	Rates to be negotiated at time of request for service

All DC-4 maintenance billings will be increased by 10.55% in accordance with the agreed upon revision to the Panagra Through Flight Agreement as detailed in letter of March 18, 1953 from the Treasurer to Executive Vice President Morrison.

[fol. 1925]

## EXHIBIT C

PAN AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST JULY-SEPT. 30, 1953

### AIRCRAFT SERVICES & OVERHAULS

I Aircraft Type	Service Type	Fixed Price
DC-4—AE & B Models	All Services	Flat rate per actual Man Hours expended
DC-6 & DC-6B	All Services	Flat rate per actual Man Hours expended

The above prices for aircraft services include the labor necessary to perform all routine and inspection items contained in aircraft service work forms and declarations of and

maintenance policy in effect July 1, 1953, / xxxxxxxx certain specific types of aircraft work as stated in "Standard Control Procedure" #136-11 dated January 1, 1950, as amended, xxxxxxxxxxxx and are to be billed xxxxxx on the basis of actual manhours of direct labor expended multiplied by the applicable labor rate per manhour, as hereinafter set forth. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine service or overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each manhour of direct labor utilized. The cost of overhauling aircraft or engine accessories removed during the above numbered services are not included in the above prices:

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

### ENGINE AND NACELLE OVERHAUL

II Engine Type	Fixed Price
<i>R-2000</i>	
Bare engine overhaul when part of power package overhaul	\$1,558
Bare engine overhaul when not part of power package overhaul	1,628
Nacelle teardown and overhaul—	
Routine	465
Nacelle buildup	140

[Changes in first paragraph initialed by KAL and BALL.]

*Engine Type**Fixed Price**R-2800-17*

Bare engine overhaul when part of  
power package overhaul \$1,976

Bare engine overhaul when not part  
of power package overhaul 1,976

Nacelle teardown and overhaul—

Routine 628

Nacelle buildup

256

[fol. 1926] II ENGINE AND NACELLE OVERHAUL

Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each man/hour of direct labor utilized.

### COMPONENT OVERHAUL AND OTHER

#### III Component Overhaul

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price

per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations, in accordance with the "Component Overhaul Price List" dated July 1, 1953, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### *Propeller Overhaul*

<i>Propeller Type</i>	<i>Fixed Price</i>
DC-4	\$209
DC-6 & DC-6B	237

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rate as hereinafter set forth for each manhour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual manhours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

#### *IV Other*

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.



{fol. 4927]

V

## RATES

The applicable labor rates referred to in this Exhibit O shall be as follows:

	Standard Time	Time and one-half	Double Time
Aircraft Service Work Center	\$5.45	\$8.45	\$14.45 <sup>1</sup>
Component Overhaul Work Center	4.65	5.65	6.65

VI The applicable material rates referred to in this Exhibit O shall be as follows:

Freight Inventory Dissipation—1/2% Dr. of material billings.

Inventory Price Variance Dissipation—1/2% of 1% Dr. of material billings.

VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering \$ 5.00 per hour  
Radio Engineering 4.00 " "

Laboratory Research Service 5.35 " "

Laboratory Fuel Sampling  
Testing 21.40 per test

Flight and Crew  
Scheduling 450.00 per month

CAA Specification  
Handling 150.00 " "

Services of Supply  
Dept. Services Rates as established in Letter  
Purchasing Agreement dated  
July 14, 1948 (as amended)

Other Services Rates to be negotiated at time  
of request for service.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin 136-17 dated March 1, 1951, as amended from time to time.

All DC-4 maintenance billings will be increased by 10.55% in accordance with the agreed upon revision to the Panagra Through Flight Agreement as detailed in letter of March 18, 1953 from the Treasurer to Executive Vice President Morrison.

[fol. 1928]

## EXHIBIT P

### PAN AMERICAN WORLD AIRWAYS, INC. OFFICIAL PRICE LIST OCT. 1-DEC. 31, 1953 AIRCRAFT SERVICES & OVERHAULS

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-4—AE & B Models	All Services	applicable labor Flat/rate per actual Man Hours expended
DC-6 & DC-6B	All Services	applicable labor Flat/rate per actual Man Hours expended

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth. [The cost of overhauling aircraft or engine accessories removed during the above-numbered services are not included in the above prices.]

[Changes in "Fixed Price" column and bracketed matter initialled by KAL and BALL.]

## ENGINE AND NACELLE OVERHAUL

II Engine Type	Fixed Price
<i>R-2000</i>	
Bare Engine overhaul when part of power package overhaul	\$1,568
Bare Engine overhaul when not part of power package overhaul	1,662
Nacelle teardown and overhaul—	
routine	475
Nacelle overhaul—4000 hour time	
limit	475
Nacelle buildup	166
<i>R-2800-17</i>	
Bare Engine overhaul when part of power package overhaul	\$2,090
Bare Engine overhaul when not part of power package overhaul	2,090
Nacelle teardown and overhaul—	
routine	546
Nacelle overhaul—4000 hour time	
limit	689
Nacelle buildup	261

Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each man hour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory

prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each manhour of direct labor utilized.

[fol. 1929]

## COMPONENT OVERHAUL AND OTHER

### III *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations, in accordance with the "Component Overhaul Price List" dated October 1, 1953, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### *Propeller Overhaul*

<i>Propeller Type</i>	<i>Fixed Price</i>
DC-4	\$238
DC-6 & DC-6B	261

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rate as hereinafter set forth for each man-

hour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual manhours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

#### IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

#### V

#### RATES

The applicable labor rates referred to in this Exhibit P shall be as follows:

	Straight Time	Time and one half	Double Time <sup>1</sup>
Aircraft Service Work Center	\$5.55	\$6.55	\$7.55
Component Overhaul Work Center	4.75	5.75	6.75

VI The applicable material rates referred to in this Exhibit P shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{2}\%$  Dr. of material billings.

Inventory Price Variance Dissipation— $\frac{1}{2}$  of  $1\%$  Dr. of material billings.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

[fol. 1930] VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 5.00 per hour
Radio Engineering	4.50 " "
Laboratory Research Service	5.35 " "
Laboratory Fuel Sample Testing	21.40 per test
Flight and Crew Scheduling	450.00 per month
CAA Specification Handling	150.00 " "
Services of Supply Dept. Services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended)
Other Services	Rates to be negotiated at time of request for service.

All DC-4 maintenance billings will be increased by 10.55% in accordance with the agreed upon revision to the Panagra Through Flight Agreement as detailed in letter of March 18, 1953 from the Treasurer to Executive Vice President Morrison.



[fol. 1931]

## EXHIBIT Q

PAN AMERICAN WORLD AIRWAYS, INC.  
OFFICIAL PRICE LIST JAN. 1-MAR. 31, 1954

## AIRCRAFT SERVICES &amp; OVERHAULS

<i>I Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-4—AE & B Models	All Services	applicable labor Flat/rate per actual Man Hours expended
DC-6 & DC-6B	All Services	applicable labor Flat/rate per actual Man Hours expended

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth. [The cost of overhauling aircraft or engine accessories removed during the above-numbered services are not included in the above prices.]

## ENGINE AND NACELLE OVERHAUL

II *Engine Type* *Fixed Price**R-2000*

Bare Engine overhaul when part of power package overhaul	\$1,625
Bare Engine overhaul when not part of power package overhaul	1,700
Nacelle teardown and overhaul— Routine	450
Nacelle overhaul—Major	500
Nacelle buildup	175

[Changes in "Fixed Price" column and bracketed matter initialed  
by KAL and BALL.]

<i>Engine Type</i>	<i>Fixed Price</i>
<i>R 2800-17</i>	
Bare Engine overhaul when part of power package overhaul	\$2,200
Bare Engine overhaul when not part of power package overhaul	2,200
Nacelle teardown and overhaul—	
Routine	550
Nacelle overhaul—Major	725
Nacelle buildup	275

Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machinery and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each manhour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a markup to cover freight delivery cost of inventory at Miami and a markup to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair work, as distinguished from overhaul, will be billed at the applicable labor rates for each manhour of direct labor utilized.

✓ Major changes in procedure and or tolerances occurring within the quarter are considered cause for adjusting the fixed manhours.

[fol. 1932]

## COMPONENT OVERHAUL AND OTHER

III *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations, in accordance with the "Component Overhaul Price List" dated January 1, 1954, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

*Propeller Overhaul**Propeller Type**Fixed Price*

DC-4

\$250<sup>00</sup>

DC-6 &amp; DC-6B

300

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rate as hereinafter set forth for each manhour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual manhours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

Major changes in procedures and/or tolerances occurring within the quarter are considered cause for adjusting the fixed manhours.

## IV Other

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance markups at the applicable material rates, as hereinafter set forth.

## V

## RATES

The applicable labor rates referred to in this Exhibit Q shall be as follows:

	Straight Time	Time and one half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service			
Work Center	\$5.65	\$6.65	\$7.65
Component Overhaul			
Work Center	5.00	6.00	7.00

VI The applicable material rates referred to in this Exhibit Q shall be as follows:

Freight Inventory Dissipation—1½% Dr. of material billings.  
Inventory Price Variance Dissipation—½ of 1% Dr. of material billings.

[fol. 1933] VII The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 5.00 per hour <sup>1</sup>
Radio Engineering	4.75 " "
Laboratory Research Service	5.35 " "
Laboratory Fuel & Oil	
Sample Testing	21.40 per test
Flight and Crew Scheduling	450.00 per month
CAA Specification Handling	150.00 per month

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

Services of Supply Dept. Services • Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended)

Other Services Rates to be negotiated at time of request for services

All DC-4 maintenance billings will be increased by 10.55% in accordance with the agreed upon revision to the Panagra Through Flight Agreement as detailed in letter of March 18, 1953 from the Treasurer to Executive Vice President Morrison.

[fol. 1934]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 20

### THROUGH FLIGHT AGREEMENT— SUPPLEMENT NO. 16

• THIS AGREEMENT, made this 29th day of June, 1954, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, which agreement has been supplemented and amended by fifteen agreements designated Supplement No. 1 through Supplement No. 15, respectively, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

93. The monthly depreciation charge on the joint DC-6 FESPA inventory pool for the period April 1, 1954 through

June 30, 1954 as contemplated under sub-paragraph (iv) of paragraph 75, shall be Seven Thousand Seven Hundred and Fifty Two (\$7,752) Dollars per month.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ (Illegible)  
Treasurer

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice President

[fol. 1935]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 21

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 17

THIS AGREEMENT, made this 7th day of September 1955, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, as supplemented and amended, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

94. Effective as of April 1, 1954, the following table of rates is hereby substituted for the table of rates appearing in paragraph 87 of the Through Flight Agreement:



	Cents per revenue mile flown with DC-6 type aircraft
Return on Investment Working Capital	.76¢
Miami Overhaul Base Facilities	1.26
Flight Equipment Spare Parts and Assemblies (R-2800 engine parts only)	.90¢
Depreciation on Flight Equipment Spare Parts and Assemblies (R-2800 engine parts only)	.75¢

95. Effective as of October 1, 1954, the following table of rates is hereby substituted for the table of rates appearing in paragraph 94 of the Through Flight Agreement:

[fol. 1936]

	Cents per revenue mile flown with DC-6 type aircraft
Return on Investment Working Capital	.66¢
Miami Overhaul Base Facilities	1.08
Flight Equipment Spare Parts and Assemblies (R-2800 engine parts only)	.66¢
Depreciation on Flight Equipment Spare Parts and Assemblies (R-2800 engine parts only)	.64¢

96. Effective as of April 1, 1954, the following table of rates is hereby substituted for the table of rates appearing in paragraph 89 of the Through Flight Agreement:

	Cents per revenue mile flown with DC-6 type aircraft
Account 5100—	
Flying Operations other than flight crew salaries and Hull Insurance	7.50
—Hull Insurance	5.85
Account 5900—	
Depreciation	19.85
Accounts 6200 and 6300—	
Passenger Service	6.96
Indirect Costs	8.77
Return on Investment	
Working Capital	.63¢
Other	24.69

97. Effective as of October 1, 1954, the following table of rates is hereby substituted for the table of rates appearing in paragraph 96 of the Through Flight Agreement:

[fol. 1937]

	Cents per revenue mile flown with DC-6 type aircraft
Account 5100—	
Flying Operations other than flight crew salaries and Hull Insurance	8.80
—Hull Insurance	5.09
Account 5900—	
Depreciation	16.95
Accounts 6200 and 6300—	
Passenger Service	7.44
Indirect Costs	8.36
Return on Investment	
Working Capital	.62¢
Other	22.79

98. The official price lists referred to in paragraph 65 of the Through Flight Agreement relating to the second, third and fourth calendar quarters of the calendar year 1954 and the first and second calendar quarters of the calendar year 1955 are attached hereto, marked Exhibit R, April-June, 1954, Exhibit S, July-September, 1954, Exhibit T, October-December, 1954, Exhibit U, January-March, 1955, and Exhibit V, April-June, 1955, respectively, and made a part hereof, and are hereby accepted by PAN-AGRA.

99. The prices set forth in the Exhibits for maintenance and overhaul of Panagra's DC-4 aircraft, and engines, propellers and components therefore, will, effective as of April 1, 1954 and thereafter until the parties shall otherwise agree in writing, be subject to a surcharge of 6% of the total price as otherwise determined in accordance with the provisions of the applicable Exhibits to cover the amounts payable under paragraphs B and C of Annex 2 to the Through Flight Agreement in respect of maintenance of DC-4 aircraft.

100. Effective as of July 1, 1954, the following table of rates shall be established as the monthly depreciation charge on the joint DC-6 FESPA inventory pool for the period July 1, 1954 through March 31, 1955 as contemplated under sub-paragraph (iv) of paragraph 75:

[fol. 1938]

July through September 1954	\$5,560 per month
October through December 1954	\$5,706 per month
January through March 1955	\$5,706 per month

101. (a) The following schedule of rates for charges to Panagra pursuant to paragraph 8 of the Through Flight Agreement for training is hereby substituted for the schedule of rates set forth in paragraph 79, effective as of January 1, 1954:

School	Dollars Per Hour
Miami—Ground Training	\$ 3.00
Miami—Link	20.00
Miami—Pilot	42.00

<i>Aircraft Type</i>	<i>Hourly</i>
DC-3	\$ 68.00
DC-4	135.00
DC-6B	371.00
CV-240	222.00
L-49	336.00

The flight training charges per hour hereunder shall be the sum of the school rate and the aircraft rate for the type aircraft used.

(b) The following schedule of rates for charges to Panagra pursuant to paragraph 8 of the Through Flight Agreement for training is hereby substituted for the schedule of rates set forth in subparagraph (a) of this paragraph 101, effective as of July 1, 1954:

<i>School</i>	<i>Dollars Per Hour</i>
Miami—Ground Training	\$ 6.00
Miami—Link	20.00
Miami—Pilot	42.00
<i>Aircraft Type</i>	<i>Hourly</i>
DC-3	\$ 68.00
DC-4	135.00
DC-6B	371.00
CV-240	222.00
L-49	336.00

The flight training charges per hour hereunder shall be the sum of the school rate and the aircraft rate for the type aircraft used.

(c) The following schedule of rates for charges to Panagra pursuant to paragraph 8 of the Through Flight Agreement for training is hereby substituted for the schedule of rates set forth in subparagraph (b) of this paragraph 101, effective as of January 1, 1955:

[fol. 1939]

<i>School</i>	<i>Dollars Per Hour</i>
Miami—Ground Training	\$ 8.00
Miami—Link	14.00
Miami—Pilot	48.00

<i>Aircraft Type</i>	<i>Hourly</i>
DC-3	\$ 79.00
DC-4	144.00
DC-6A	360.00
DC-6B	376.00
CV-340	211.00
L-49	341.00

The flight training charges per hour hereunder shall be the sum of the school rate and the aircraft rate for the type aircraft used.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ E. BALLUDER  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice President

[fol. 1940]

## EXHIBIT R

## PAN AMERICAN WORLD AIRWAYS, INC.

## OFFICIAL PRICE LIST APRIL 1-JUNE 30, 1954

## I—AIRCRAFT SERVICES &amp; OVERHAULS

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-6 & DC-6B	Overnight Transit	\$ 696
	#1	1,073
	#3 (Equalized)	4,147
	Engine Change*	174
	Supercharger Change*	145
DC-4—AE & B Models	All Services	Flat rate per actual Man-hours expended fixed prices

Except as noted in the following paragraphs, the xxxxxxxx quoted provide for labor to perform routine, time limit, and inspection (discrepancy) items according to service work forms and policies in effect April 1, 1954.

## fixed prices

a) The quoted xxxxxxxxxxxx apply to services performed on aircraft regularly maintained at MOB. We reserve the right to quote special xxxxxxxx prices or to bill on the basis of actual hours for services to aircraft brought to MOB at infrequent or irregular intervals, and for minor services in combination with major modification projects. Aircraft entering the MOB service pattern for the first time are subject to billing at actual hours until the MOB Chief Inspector and the customer representative agree that the aircraft is up to MOB standard. The work described in Standard Control Procedure #136-11 of December 1, 1952, is non-predictable and will be billed at actual hours.

\* Applicable only on Services where this work has not been prorated into the fixed price (Overnight Transit and #1).

[Changes in first and second paragraphs initialed by KAL and BALL.]



b) Major structural inspection sampling may occur during this quarter on DC-6B aircraft, but since the method of accomplishment is indefinite, no attempt has been made to include this work in the flat price.

c) Engine changes for top overhaul, and top overhaul of installed engines are not included in the manhours quoted for aircraft services.

d) Overhaul of engines, propellers and components removed during services is not included in the quoted service figures. Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## II—ENGINE AND NACELLE OVERHAUL

<i>Engine Type</i>	<i>Fixed Price.</i>
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### *R-2000*

Bare Engine overhaul when part of power package overhaul	\$1,723
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Bare Engine overhaul when not part of power package overhaul	1,802
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Nacelle Overhaul—Routine	477
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Nacelle Overhaul—Major	530
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Nacelle Buildup	186
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### *R-2800-17*

Bare Engine overhaul when part of power package overhaul	\$2,332
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Bare Engine overhaul when not part of power package overhaul	2,332
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Nacelle Overhaul—Routine	583
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Nacelle Overhaul—Major	769
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Nacelle Buildup	292
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[fol. 1941] Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and

functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each manhour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair and exploratory or diagnostic disassembly, as distinguished from routine engine and nacelle overhaul is not included in the above prices and will be billed on the basis of actual hours expended times the applicable labor rate.

Major changes in procedure and/or tolerances occurring within the quarter are considered cause for adjusting the fixed manhours.

### III—COMPONENT OVERHAUL AND OTHER

#### *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations, in accordance with the "Component Overhaul Price List" dated April 1, 1954, as the same may be revised from time to time by mutual agreement. Such prices

shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

*Propeller Overhaul*

<i>Propeller Type</i>	<i>Fixed Price</i>
DC-4	\$265
DC-6 & DC-6B	318

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rate as hereinafter set forth for each manhour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual manhours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth. Major changes in procedure and/or tolerance occurring within the quarter are considered cause for adjusting the fixed manhours.

[fol. 1942]

IV—OTHER

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth.

## V—RATES.

The applicable labor rates referred to in this Exhibit R shall be as follows:

	Straight Time	Time and one-half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$5.80	\$6.80	\$7.80
Component Overhaul Work Center	5.30	6.30	7.30

VI The applicable material rates referred to in this Exhibit R shall be as follows:

Freight Inventory Dissipation—1½% Dr. of material billings.

Inventory Price Variance Dissipation—½ of 1% Dr. of material billings.

## VII—MISCELLANEOUS

The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 5.00 per hour
Radio Engineering	4.75 " "
Laboratory Research Service	5.35 " "
Laboratory Fuel & Oil Sample Testing	21.40 per test
Flight and Crew Scheduling	450.00 per month
CAA Specification Handling	150.00 per month

Services of Supply  
Dept. Services

Rates as established in Letter  
Purchasing Agreement dated  
July 14, 1948 (as amended)

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

## Other Services

Rates to be negotiated at time of request for service.

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Labor rate changes not anticipated herein developing through negotiations affecting this period will be distributed retroactively on the basis of the distribution of labor, so affected.

[fol. 1943]

## EXHIBIT S

## PAN AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST JULY 1-SEPTEMBER 30, 1954

## I—AIRCRAFT SERVICES &amp; OVERHAULS

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-6 & DC-6B	Overnight Transit	\$ 556*
	#1	878*
	#3 (Equalized)	3,920*
	Engine Change	176**
	Supercharger Change	146**
DC-4—AE & B Models	All Services	Flat rate per actual man-hours expended.

[Paragraph stricken through initiated by BALL and KAL.]

\* The fixed prices on the Overnight Transit, #1 and #3 (Equalized) Service, do not apply to the two new PA-6 DC-6B Aircraft, N6255C and N6256C whose low time-low work content status has caused them to be exempted. Aircraft service work on these two aircraft will be billed on the basis of actual manhours expended at the applicable labor rate.

\*\* Applicable only on Services where this work has not been prorated into the fixed price (Overnight Transit and #1).

Except as noted in the following paragraphs, the fixed prices quoted provide for labor to perform routine, time limit, and inspection (discrepancy) items according to service work forms and policies in effect July 1, 1954.

a) The quoted fixed prices apply to services performed on aircraft regularly maintained at MOB. We reserve the right to quote special prices or to bill on the basis of actual hours for services to aircraft brought to MOB at infrequent or irregular intervals, and for minor services in combination with major modification projects. Aircraft entering the MOB service pattern for the first time are subject to billing at actual hours until the MOB Chief Inspector and the customer representative agree that the aircraft is up to MOB standard. The work described in Standard Control Procedure #136-11 of December 1, 1952 is non-predictable and will be billed at actual hours.

b) Major structural inspection sampling may occur during this quarter on DC-6B aircraft, but since the method of accomplishment is indefinite, no attempt has been made to include this work in the flat price.

c) Engine changes for top overhaul, and top overhaul of installed engines are not included in the fixed price quoted for aircraft services.

d) Overhaul of engines, propellers and components removed during services is not included in the quoted service figures.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.



## II—ENGINE AND NACELLE OVERHAUL

<i>Engine Type</i>	<i>Fired Price</i>
<i>R-2000</i>	
Bare Engine overhaul when part of power package overhaul	\$1,706
Bare Engine overhaul when not part of power package overhaul	1,785
Nacelle Overhaul—Routine	473
Nacelle Overhaul—Major	525
Nacelle Buildup	184
<i>R-2800-17</i>	
Bare Engine overhaul when part of power package overhaul	\$2,310
Bare Engine overhaul when not part of power package overhaul	2,310
Nacelle Overhaul—Routine	578
Nacelle Overhaul—Major	761
Nacelle Buildup	289

[fol. 1944] Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer-request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each manhour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight-delivery cost of inventory at Miami and a mark-up to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair and exploratory or diagnostic disassembly, as distinguished from routine engine and nacelle overhaul is not included in the above prices and will be billed on the basis of actual hours expended times the applicable labor rate.

Major changes in procedures and/or tolerances occurring within the quarter are considered cause for adjusting the fixed manhours.

### III—COMPONENT OVERHAUL AND OTHER

#### *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations, in accordance with the "Component Overhaul Price List" dated July 1, 1954, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### *Propeller Overhaul*

<i>Propeller Type</i>	<i>Fixed Price</i>
DC-4	\$236
DC-6 & DC-6B	315

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the

applicable labor rate as hereinafter set forth for each man-hour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual manhours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth.

Major changes in procedures and/or tolerances occurring within the quarter are considered cause for adjusting the fixed manhours.

[fol. 1945]

#### IV—OTHER

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth.

#### V—RATES

The applicable labor rates referred to in this Exhibit S shall be as follows:

	Straight Time	Time and one half	Double Time <sup>1</sup>
Aircraft Service Work Center	\$5.85	\$6.85	\$7.85
Component Overhaul Work Center	5.25	6.25	7.25

VI The applicable material rates referred to in this Exhibit S shall be as follows:

Freight Inventory Dissipation—1½% Dr. of material billings.

Inventory Price Variance Dissipation—½ of 1% Dr. of material billings.

<sup>1</sup>Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

## VII—MISCELLANEOUS

The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 5.00 per hour
Radio Engineering	4.75 " "
Laboratory Research	
Service	5.35 " "
Laboratory Fuel & Oil	
Sample Testing	21.40 per test
Flight and Crew	
Scheduling	450.00 per month
CAA Specification	
Handling	150.00 per month
Services of Supply	
Dept. Services	
	Rates as established in Letter
	Purchasing Agreement dated
	July 14, 1948 (as amended)
Other Services	
	Rates to be negotiated at time
	of request for service.

xxxix

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Labor rate changes not anticipated herein developing through negotiations affecting this period will be distributed retroactively on the basis of the distribution of labor, so affected.

: [Paragraph stricken through initialed by BALI<sup>2</sup> and KAL.]

[fol. 1946]

## EXHIBIT T

## PAN AMERICAN WORLD AIRWAYS, INC.

## OFFICIAL PRICE LIST OCTOBER 1

DECEMBER 31, 1954

## I—AIRCRAFT SERVICES &amp; OVERHAULS

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-4—AE & B*	Overnight Transit	\$ 473
	±1	656
	±3 Equalized	3,386
	Engine Change	158*
	Supercharger Change	131*
DC-4 AE & B Models	All Services	Flat rate per actual man-hours expended

Except as noted in the following paragraphs, the fixed prices quoted provide for labor to perform routine, time limit, and inspection (discrepancy) items according to service work forms and policies in effect October 1, 1954.

a) The quoted fixed prices apply to services performed on aircraft regularly maintained at MOB. We reserve the right to quote special prices or to bill on the basis of actual hours for services to aircraft brought to MOB at infrequent or irregular intervals, and for minor services in combination with major modification projects. Aircraft entering the MOB service pattern for the first time are subject to billing at actual hours until the MOB Chief Inspector and the customer representative agree that the aircraft is up to MOB standard. The work described in Standard Control Procedure ±136-11 of December 1, 1952 is non-predictable and will be billed at actual hours.

b) Major structural inspection sampling may occur during this quarter on DC-6B aircraft, but since the method

\* Applicable only on Services where this work has not been prorated into the fixed price Overnight Transit and, ±1

of accomplishment is indefinite, no attempt has been made

c) Engine changes for top overhaul, and top-overhaul of installed engines are not included in the fixed price quoted for aircraft services.

d) Overhaul of engines, propellers and components removed during services is not included in the quoted service figures.

e) Due to continued low work content status of the two new PAG DC-6B aircraft, 6255C and 6256C, they are excluded from all 4th quarter flat prices.

f) Per the request of Panagra, the overhaul services on PAG DC-6/6B aircraft will be billed at actual hours times the applicable labor rate.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark up to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## II—ENGINE AND NACELLE OVERHAUL

<i>Engine Type</i>	<i>Fixed Price</i>
<i>R-2000 /</i>	
Bare Engine Overhaul when part of power package overhaul	\$1,607
Bare Engine Overhaul when not part of power package overhaul	1,683
Nacelle Overhaul—Routine	459
Nacelle Overhaul—Major	510
Nacelle Buildup	179
<i>R-2800-17</i>	
Bare Engine Overhaul when part of power package overhaul	2,244
Bare Engine Overhaul when not part of power package overhaul	2,321
Nacelle Overhaul—Routine	561
Nacelle Overhaul—Major	740
Nacelle Buildup	281



[fol. 1947] Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each manhour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a mark up to cover freight delivery cost of inventory at Miami and a mark up to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair and exploratory or diagnostic disassembly, as distinguished from routine engine and nacelle overhaul is not included in the above prices and will be billed on the basis of actual hours expended times the applicable labor rate.

Major changes in procedures and or tolerances occurring within the quarter are considered cause for adjusting the fixed manhours.

### III—COMPONENT OVERHAUL AND OTHER

#### *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line

Stations, in accordance with the "Component Overhaul Price List" dated October 1, 1954, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price is subject to review and may be changed at other times at mutual agreement.

*Propeller Overhaul*

<i>Propeller Type</i>	<i>Fixed Price</i>
DC-4	\$230
DC-6 & DC-6B	306

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiable at the applicable labor rate as hereinafter set forth for each manhour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual manhours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth. Major changes in procedures and/or tolerance occurring within the quarter are considered cause for adjusting the fixed manhours.

[fol. 1948]

#### IV—OTHER

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth.

## X—RATES

The applicable labor rates referred to in this Exhibit T shall be as follows:

	Straight Time	Time and one half	Double Time
Aircraft Service Work Center	\$5.25	\$6.25	\$7.25
Component Overhaul Work Center	5.10	6.10	7.10

VI The applicable material rates referred to in this Exhibit T shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{2}\%$  Dr. of material billings.

Inventory Price Variance Dissipation— $1\frac{1}{2}$  of  $1\%$  Dr. of material billings.

## VII—MISCELLANEOUS

The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 5.00 per hour
Radio Engineering	5.25 " "
Laboratory Research Service	5.35 " "
Laboratory Fuel & Oil Sample Testing	21.40 per test
Flight and Crew Scheduling	450.00 per month
CAA Specification Handling	150.00 per month
Services of Supply Dept. Services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended)

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" bulletin #136-17 dated March 1, 1951, as amended from time to time.

## Other Services

Rates to be negotiated at time  
of request for service.

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Labor rate changes not anticipated herein developing through negotiations affecting this period will be distributed retroactively on the basis of the distribution of labor, so affected.

[fol. 1949]

## EXHIBIT U

PAN AMERICAN WORLD AIRWAYS, INC.  
OFFICIAL PRICE LIST JANUARY 1-MARCH 31, 1955  
I—AIRCRAFT SERVICES & OVERHAULS

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-6 & DC-6B	Overnight Transit	\$ 491
	#1	572
	#3 Equalized	3,352
	Engine Change	164*
	Supercharger Change	136*
DC-4—AE & B Models	All Services	Flat rate per actual man-hours expended.

Except as noted in the following paragraphs, the fixed prices quoted provide for labor to perform routine, time limit, and inspection (discrepancy) items according to service work forms and policies in effect January 1, 1955.

a) The quoted fixed prices apply to services performed on aircraft regularly maintained at MOB. We reserve the right to quote special prices or to bill on the basis of actual

\* Applicable only on Services where this work has not been prorated into the fixed price (Transit, Overnight Transit, #1, #2 and Special Services).

[Paragraph stricken through initialed by BALL and KAL.]

hours for services to aircraft brought to MOB at infrequent or irregular intervals, and for minor services in combination with major modification projects. Aircraft entering the MOB service pattern for the first time are subject to billing at actual hours until the MOB Chief Inspector and the customer representative agree that the aircraft is up to MOB standard. The work described in Standard Control Procedure 136-11 of December 1, 1952 is non-predictable and will be billed at actual hours.

b) Major structural inspection sampling may occur during this quarter on DC-6B aircraft, but since the method of accomplishment is indefinite, no attempt has been made to include this work in the flat price.

c) Engine changes for top overhaul, and top overhaul of installed engines are not included in the fixed price quoted for aircraft services.

d) Overhaul of engines, propellers, and components removed during services is not included in the quoted service figures.

e) Per the request of Panagra, the overhaul services on PAG DC-6/6B aircraft will be billed at actual hours times the applicable labor rate.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## II—ENGINE AND NACELLE OVERHAUL

<i>Engine Type</i>	<i>Fixed Price</i>
<i>R-2000</i>	
Bare Engine Overhaul when part of power package overhaul	\$1,622
Bare Engine Overhaul when not part of power package overhaul	1,700
Nacelle Overhaul—Routine	464
Nacelle Overhaul—Major	515
Nacelle Buildup	180

*R-2800-17*

Bare Engine Overhaul when part of power package overhaul	\$2,215
Bare Engine Overhaul when not part of power package overhaul	2,343
Nacelle Overhaul—Routine	567
Nacelle Overhaul—Major	747
Nacelle Buildup	283

[fol. 1950] Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each manhour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variance arising from average inventory pricing procedure; both computed at the applicable material rates, as hereinafter set forth.

Engine and nacelle repair and exploratory or diagnostic disassembly, as distinguished from routine engine and nacelle overhaul is not included in the above prices and will be billed on the basis of actual hours expended times the applicable labor rate.

Major changes in procedure and/or tolerances occurring within the quarter are considered cause for adjusting the fixed manhours.



### III—COMPONENT OVERHAUL AND OTHER

#### *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations, in accordance with the "Component Overhaul Price List" dated January 1, 1955; as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### *Propeller Overhaul*

<i>Propeller Type</i>	<i>Fixed Price</i>
DC-4	\$232
DC-6 & DC-6B	309

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated at the applicable labor rate as hereinafter set forth for each man-hour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual manhours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth.

Major changes in procedures and/or tolerances occurring within the quarter are considered cause for adjusting the fixed manhours.

[fol. 1951]

## IV—OTHER

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable material rates, as herein-after set forth.

## V—RATES

The applicable labor rates referred to in this Exhibit U shall be as follows:

	Straight Time	Time and one-half <sup>1</sup>	Double Time <sup>1</sup>
Aircraft Service Work Center	\$5.45	\$6.45	\$7.45
Component Overhaul Work Center	5.15	6.15	7.15

VI The applicable material rates referred to in this Exhibit U shall be as follows:

Freight Inventory Dissipation— $1\frac{1}{2}\%$  Dr. of material billings.  
Inventory Price Variance Dissipation— $\frac{1}{2}$  of  $1\%$  Dr. of material billings.

## VII—MISCELLANEOUS

The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Aircraft Engineering	\$ 5.00 per hour
Radio Engineering	5.25 " "
Laboratory Research Service	5.35 " "
Laboratory Fuel & Oil Sample Testing	21.40 per test

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" Bulletin #136-17 dated March 1, 1951, as amended from time to time.

Flight and Crew Scheduling	450,000 per month
CAA Specification Handling	150,000 per month
Services of Supply Dept. Services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended)
Other Services	Rates to be negotiated at time of request for service.

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Labor rate change not anticipated herein developing through negotiations affecting this period will be distributed retroactively on the basis of the distribution of labor, so affected.

[Paragraph stricken through initialed by BALI and KAL.]

[fol. 1952]

## EXHIBIT V

## PAN AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST APRIL 1-JUNE 30, 1955

## I-AIRCRAFT SERVICES &amp; OVERHAULS

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-6 & DC-6B	Overnight Transit	\$ 456
	±1	570
	±3 Equalized	3,477
	±5 (DC-6B),	28,500
	Engine Change	171*
	Supercharger Change	143*
DC-4—AE & B Models	All Services	Flat rate per actual man-hours expended.

\* Applicable only on Services where this work has not been prorated into the fixed price (DC-6B Overnight Transit and ±1 Services).

Except as noted in the following paragraphs, the fixed prices quoted provide for labor to perform routine, time limit and inspection (discrepancy) items according to service work forms and policies in effect April 1, 1955.

(a) The quoted manhour dollars apply to services performed on aircraft regularly maintained at MOB. We reserve the right to quote special manhour prices or to bill on the basis of actual hours for services to aircraft brought to MOB at infrequent or irregular intervals, and for minor services in combination with major modification projects. Aircraft entering the MOB service pattern for the first time are subject to billing at actual hours until the MOB Chief Inspector and the customer representative agree that the aircraft is up to MOB standard. The work described in MOB Administrative Manual Publication #19.02.02-2 of July 15, 1954 is non-predictable and will be billed at actual hours.

(b) Major structural inspection sampling may occur during this quarter on DC-6B aircraft, but since the method of accomplishment is indefinite, no attempt has been made to include this work in the flat price.

(c) Engine changes for top overhaul, and top overhaul of installed engines are not included in the dollars quoted for aircraft services.

(d) Overhaul of engines, propellers and components removed during services is not included in the quoted service figures.

Material consumed in the services referred to will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates, as hereinafter set forth.

## II—ENGINE AND NACELLE OVERHAUL

<i>Engine Type</i>	<i>Fixed Price</i>
<i>R-2000</i>	
Bare Engine Overhaul when part of power package overhaul	\$1,597
Bare Engine Overhaul when not part of power package overhaul	1,674
Nacelle Overhaul—Routine	464
Nacelle Overhaul—Major	515
Nacelle Buildup	180
<i>R-2800</i>	
Bare Engine Overhaul when part of power package overhaul	\$2,215
Bare Engine Overhaul when not part of power package overhaul	2,343
Nacelle Overhaul—Routine	567
Nacelle Overhaul—Major	747
Nacelle Buildup	283

[fol. 1953] Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each manhour of direct labor utilized. The cost of overhauling engine and nacelle accessories removed during overhauls are not included in the above prices.

Material consumed in the work referred to above will be billed at the Latin American Division average inventory prices, plus a mark-up to cover freight delivery cost of inventory at Miami and a mark-up to cover price variance arising from average inventory pricing procedure, both computed at the applicable material rates as hereinafter set forth.

Engine and nacelle repair and exploratory or diagnostic disassembly, as distinguished from routine engine and nacelle overhaul is not included in the above prices and will be billed on the basis of actual hours expended times the applicable labor rate.

Major changes in procedures and/or tolerances occurring within the quarter are considered cause for adjusting the fixed manhours.

### III—COMPONENT OVERHAUL AND OTHER

#### *Component Overhaul*

All flight equipment accessories classified as components listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component, including the elements of cost, to be determined as of the time of removal from flight equipment at Miami or the time of receipt in Miami from Line Stations, in accordance with the "Component Overhaul Price List" dated April 1, 1955, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times at mutual agreement.

#### *Propeller Overhaul*

<i>Propeller Type</i>	<i>Fixed Price</i>
DC-4	\$232
DC-6 & DC-6B	309

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test the unit where such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated at the applicable labor rate as hereinafter set forth for each manhour of direct labor utilized. Propeller repair



work when not forming part of a normal overhaul will be billed at actual manhours utilized. Material consumed in the above will be billed at Latin American Division average inventory price plus freight and price variance mark ups at the applicable material rates, as hereinafter set forth.

Major changes in procedures and or tolerances occurring within the quarter are considered cause for adjusting the fixed dollars.

[fol. 1954]

#### IV—OTHER

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized. Material consumed in such maintenance will be billed at Latin American Division average inventory prices plus freight and price variance mark-ups at the applicable material rates, as hereinafter set forth.

#### V—RATES

The applicable labor rates referred to in this Exhibit V shall be as follows:

	Straight Time	Time and one half	Double Time
Aircraft Service Work Center	\$5.70	\$6.70	\$7.70
Component Overhaul Work Center	5.15	6.15	7.15

VI The applicable material rates referred to in this Exhibit V shall be as follows:

Freight Inventory Dissipation— $\frac{1}{2}\%$  Dr. of material billings.  
Inventory Price Variance Dissipation— $\frac{1}{2}\%$  of 1% Dr. of material billings.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in "Standard Control Procedure" Bulletin #136-17 dated March 1, 1951, as amended from time to time.

Aircraft Engineering	\$ 5.00 per hour
Radio Engineering	5.25 " "
Laboratory Research	
Service	5.35 " "
Laboratory Fuel & Oil	
Sample Testing	21.40 per test
Flight and Crew	
Scheduling	450.00 per month
CAA Specification	
Handling	150.00 " "
Services of Supply	
Dept. Services	Rates as established

Rates as established in Letter  
Purchasing Agreement dated  
July 14, 1948 (as amended).

~~Rates to be negotiated at time  
of request for service.~~

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labor rate changes not anticipated herein, developing through negotiations affecting this period will be distributed retroactively on the basis of the distribution of labor, so affected.

[Paragraph stricken through initiated by BAL and KAL.]

[fol. 1955]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 22

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SUPPLEMENT NO. 18

TO

THROUGH FLIGHT AGREEMENT

BETWEEN

PAN AMERICAN WORLD AIRWAYS, INC.,

AND

PAN AMERICAN-GRACE AIRWAYS, INC.

---

DATED AUGUST 4, 1955

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[fol. 1956]

## Through Flight Agreement

## Supplement No. 18

Relating to Interchange Agreement with National  
Airlines, Incorporated

AGREEMENT made this 4th day of August, 1955, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York Corporation (hereinafter called "PAA"), and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware Corporation (hereinafter called "Panagra");

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, and supplements thereto numbered one through seventeen inclusive relating to the charter of Panagra's aircraft to PAA for through operation on certain of PAA's routes north of the Canal Zone and other matters, which agreements are hereinafter referred to as "the Through Flight Agreement"; and

WHEREAS, PAA and Panagra have entered into an agreement with National Airlines, Incorporated, a Florida corporation (hereinafter called "National"), dated as of the date hereof (hereinafter referred to as "the Interchange Agreement"); and

WHEREAS, the parties desire to supplement and amend the Through Flight Agreement as herein set forth.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

102. All recitals and paragraphs of Supplement No. 5 to the Through Flight Agreement are hereby deleted except [fol. 1957] paragraphs 49, 50, 51 (except for the first parenthetical insertion), 53 (except for the proviso to the last sentence of the amendment made therein), 54 (notwithstanding any provisions of paragraph 59 to the contrary), 57(a) (as modified by paragraph 71), and 57(g).

103. The last sentence of paragraph 14 of the Through Flight Agreement as amended by paragraphs 51 and 102 above is amended to read as follows:

"PAA and Panagra will agree with each other (and with National in the Interchange Agreement shall be

come and be effective) in advance on appropriate advertising programs (including newspaper and magazine space, advertising and display pieces and collateral material) and budgets therefor, for promoting the through flights made pursuant to this Agreement, and the approved expense of all such advertising shall be apportioned among them as from time to time agreed, provided, however, that no charge shall be made for transporting advertising material to the most effective point of use."

104. For the term of the Interchange Agreement, Panagra's aircraft chartered to PAA pursuant to the Through Flight Agreement for through operation between the Canal Zone and Miami, Florida, shall, except as the Civil Aeronautics Board may otherwise permit, be further chartered to National for through operation by National upon the specific terms and conditions set forth in the Interchange Agreement.

105. Panagra hereby constitutes and appoints PAA as Panagra's agent, for the term during which the Through Flight Agreement and the Interchange Agreement shall be simultaneously in effect, to deliver Panagra's aircraft to National at Miami, for the purpose of flights over National's route pursuant to the said agreement and to receive [fol. 1958] delivery of Panagra's aircraft from National at Miami. PAA is authorized as such agent, on Panagra's behalf, to receive and execute such receipts, to perform such inspections, to make such checks and measurements, and to perform all such other acts as may be necessary or appropriate in connection with the delivery or return of the said aircraft. In acting as such agent with respect to the delivery of Panagra's aircraft to National and the return of Panagra's aircraft by National at Miami, PAA shall be bound to exercise the same and only the same degree of care as PAA exercises with respect to the delivery and return of its own aircraft under similar circumstances.

106. The second sentence of paragraph 15(a) of the Through Flight Agreement as amended is further amended to read as follows:

"PAA shall be deemed to be in possession of Panagra's aircraft (1) in the case of aircraft turned over to PAA for operation on through flights under this agreement, from the time when such aircraft is so turned over to PAA by Panagra until the time when such aircraft is either (i) returned by PAA to Panagra or (ii) turned over by PAA to National for operation by National pursuant to the Interchange Agreement, in which event the aircraft shall again be deemed to be in PAA's possession when returned to it by National, and (2) in the case of aircraft turned over to PAA for maintenance, from the time when such aircraft is turned over to PAA at one of the latter's maintenance bases until the time when such aircraft is returned to Panagra, or until it is turned over by PAA to National as provided above; except, in either case, for non-revenue or other special flights (excluding test flights made under PAA custody following maintenance and according to CAA requirements) during such period made at the instance and request of Panagra."

107. Paragraph 17(h) of the Through Flight Agreement (added by paragraph 34 of Supplement No. 2) is amended by adding the following at the end thereof: "and in the case of mileage flown over the route of National pursuant to the Interchange Agreement will be those effective as shown in the 'Civil Aeronautics Board Official Airline Route and Mileage Manual' and in any revisions thereof."

108. Paragraph 23(e) of the Through Flight Agreement is amended by adding at the end thereof the words: "and the delivery of possession of Panagra's aircraft to National and the return of such possession from National pursuant to the Interchange Agreement."

109. (a) All references in Annex 1A to the Through Flight Agreement to "the charter service" shall refer only to the charter service operated by PAA pursuant to said Agreement. All references in said Annex 1A to the total revenue miles flown by Panagra's aircraft or to a revenue mile basis shall include revenue miles flown by such aircraft pursuant to the Interchange Agreement, except that



(i) in those instances where the expenses to be prorated under paragraph 1 of Annex 1A are not related to the miles flown by Panagra aircraft under the Interchange Agreement, the mileage under the Interchange Agreement shall be omitted, and (ii) in those instances where the expenses to be prorated under paragraph 1 of Annex 1A are only partially related to the miles flown by Panagra aircraft under the Interchange Agreement, the mileage under the Interchange Agreement shall be included on an appropriately weighted basis.

[fol:1960] (b) Paragraph 1A1(1) of said Annex 1A is amended by adding at the end thereof the following: "and Panagra will cause National to advise Panagra at the close of each month of the total gallonage delivered by National to Panagra's aircraft, classified by aircraft types, under the Interchange Agreement."

(c) The last sentence of paragraph 1A3 of said Annex 1A is amended to read as follows:

"If it shall appear that major items of cost recorded in such accounts are applicable only to the charter service or to Panagra's common carrier service or to the charter service operated pursuant to the Interchange Agreement, provision will be made for removing such costs from allocation and charging such costs directly to the service to which they relate."

(d) The parenthetical phrases in paragraphs 1A3 and 1B of said Annex 1A now reading: ("except for credits arising out of charges to PAA") are amended to read ("except for credits arising out of charges to PAA and of charges to National").

(e) The last sentence of paragraphs 2B and 2C of said Annex 1A are amended by adding at the end the words:

"plus 20% of the available ton miles flown in the charter service operated pursuant to the Interchange Agreement."

110. Paragraph 102 of this Supplement No. 18 shall be effective immediately. The remainder of this Supplement

No. 18 shall become effective only in the event that the Interchange Agreement shall become effective and upon the making of an order by the Civil Aeronautics Board [fol. 1961] approving the Through Flight Agreement as herein modified, and shall remain in effect so long as the Interchange Agreement and the Through Flight Agreement shall remain simultaneously in effect.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their officers thereunto duly authorized on the day and year first above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

[fol. 1962]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 23

### THROUGH FLIGHT AGREEMENT— SUPPLEMENT NO. 19

THIS AGREEMENT, made this 7th day of August, 1957, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation; hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, as supplemented and amended, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

111. The following schedule of rates for charges to Panagra pursuant to paragraph 8 of the Through Flight Agreement for training is hereby substituted for the schedule of rates set forth in subparagraph (c) of paragraph 101, effective as of July 1, 1957:

<i>School</i>	<i>Dollars per Hour</i>
Miami—Ground Training	\$ 8.19
Miami—Dehmel	16.55
Miami—Pilot	55.50
<i>Aircraft Type</i>	<i>Hourly Rate</i>
DC-3	\$ 79.00
DC-4	130.00
DC-6 type	315.00
DC-7B	541.00
CV-240	211.00

The flight training charges per hour hereunder shall be the sum of the school rate and the aircraft rate for the type aircraft used.

IN WITNESS WHEREOF, the parties have caused this [fol. 1963] agreement to be executed by their officers thereunto duly authorized on the day and year above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ F. H. CLIFTON  
Vice President

[fol. 1964]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 24

THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 20

THIS AGREEMENT, made this 11th day of July, 1958, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, as supplemented and amended, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

112. The tables of rates set forth in Attachment A hereto are hereby substituted for the table of rates appearing in paragraph 95 of the Through Flight Agreement.

113. The tables of rates set forth in Attachment B hereto are hereby substituted for the table of rates appearing in paragraph 97 of the Through Flight Agreement.

114. The official price lists referred to in paragraph 65 of the Through Flight Agreement relating to the third and fourth calendar quarters of the calendar year 1955, the four quarters of the calendar years 1956 and 1957 and the first calendar quarter of the calendar year 1958 respectively are attached hereto, marked Exhibit W, July-September, 1955, Exhibit X, October-December, 1955, Exhibit Y, January-March, 1956, Exhibit Z, April-June, 1956, Exhibit A1, July-September, 1956, Exhibit A2, October-December, 1956, Exhibit B1, January-March, 1957, Exhibit B2, April-June, 1957, Exhibit B3, July-September, 1957, Exhibit B4—Revision 1, October-December, 1957, and Exhibit C1, January-March, 1958, respectively, and made a part hereof, and are hereby accepted by PANAGRA.

115. The prices set forth in the Exhibits referred to in paragraph 114 for maintenance and overhaul of PAN-AGRA's DC-4 aircraft, and engines, propellers and components therefor, with respect to the period up to and including June 30, 1957, be subject to a surcharge of ... of the total price as otherwise determined in accordance with the provisions of the applicable Exhibits to cover the amounts payable under paragraphs B and C of Annex 2 to the Through Flight Agreement in respect of maintenance of DC-4 aircraft.

116. Effective as of April 1, 1955 the following table of rates shall be established as the monthly depreciation charge on the joint DC-6 FESPA inventory pool for the period April 1, 1955 through December 31, 1957 as contemplated under subparagraph (iv) of paragraph 75:

April through September, 1955	\$6,236 per month
October, 1955 through March, 1956	\$4,425 per month
April through September, 1956	\$5,020 per month
October through December, 1956	\$5,515 per month
January through June, 1957	\$5,890 per month
July through December, 1957	\$6,043 per month

117. Effective as of April 1, 1955, the following is hereby inserted at the end of clause (ii) of Section 3, *Return On Panagra's Investment*, of Annex 1-A:

"The amount of the return payable to Panagra by Pan American in respect of such funds or securities for any period shall be reduced by such portion of the amount of any interest payable thereon to Panagra by third parties for such period as is allocable to the charter service on a revenue mile basis as referred to above.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized on the day and year first above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ E. RICCIARDI  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ F. H. CLIFTON  
Vice President

[fol. 1966]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 25

**THROUGH FLIGHT AGREEMENT—  
SUPPLEMENT NO. 21**

THIS AGREEMENT, made this 23rd day of December, 1958, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York corporation, hereinafter called "PAA", and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware corporation, hereinafter called "PANAGRA",

WHEREAS, PAA and PANAGRA are parties to a certain agreement dated July 30, 1946, as supplemented and amended, said agreement as so supplemented and amended being hereinafter referred to as the "Through Flight Agreement"; and

WHEREAS, the parties desire further to supplement and amend the Through Flight Agreement as herein set forth;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

118. The table of rates set forth in Attachment A1 hereto is hereby substituted for the table of rates appearing in Attachment A to Supplement No. 20 to, and referred to in paragraph 112 of, the Through Flight Agreement.

119. The table of rates set forth in Attachment B1 hereto is hereby substituted for the table of rates appearing in Attachment B to Supplement No. 20 to, and referred to in paragraph 113 of, the Through Flight Agreement.

120. The official price lists referred to in paragraph 65 of the Through Flight Agreement relating to the second, third and fourth calendar quarters of the calendar year 1958 are attached hereto, marked Exhibit C2, April-June, 1958, Exhibit C3, July-September, 1958, and Exhibit C4, October-December, 1958, respectively, and made a part hereof, and are hereby accepted by PANAGRA.

121. Effective as of January 1, 1958 the following table of rates shall be established as the monthly depreciation



charge on the joint DC-6 FESPA inventory pool for the [fol. 1967] period January 1, 1958 through December 31, 1958 as contemplated under subparagraph (iv) of paragraph 75:

January through June, 1958	\$6,415 per month
July through September, 1958	\$6,110 per month
October through December, 1958	\$7,782 per month

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their officers thereunto duly authorized on the day and year first above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ E. RICCIARDI  
Vice President

PAN AMERICAN GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

[fol. 1968]

# ATTACHMENT A1 THROUGH FLIGHT AGREEMENT THROUGH FLIGHT FIXED RATES PAYABLE BY PANAGRA TO PAA

January 1, 1958-June 30, 1958

## CENTS PER REVENUE MILE FLOWN

Return On Investment					Deprecia- tion on Flight Equip- ment Spare Parts and Assem- blies	Total
Type of Aircraft	Working Capital	Miami Overhaul Base Facilities	Flight Equip- ment Spare Parts and Assem- blies	Total		
DC-4	.42¢	.27¢	.33¢	1.02¢	—	1.02¢
DC-6B	.43	.47	.42	1.32	.81¢	2.13
DC-7B	.73	.61	3.41	4.75	3.03	7.78

[fol. 1969]

**ATTACHMENT B1**  
**THROUGH FLIGHT AGREEMENT**  
**THROUGH FLIGHT FIXED RATES PAYABLE BY**  
**PAA TO PANAGRA**

January 1, 1958-June 30, 1958

CENTS PER REVENUE MILE FLOWN

	Type of Aircraft			
	DC-4		DC-6B	DC-7B
	Passenger	Cargo		
Flying Operations (other than flight crew salaries and hull insurance)	8.13¢	8.13¢	16.07¢	8.29¢
Hull Insurance	2.68	2.68	4.81	5.92
Depreciation—Flight Equipment	0.23	0.23	23.90	35.04
Passenger Service	5.92	—	7.68	10.52
Indirect Expenses	7.86	7.59	8.42	8.11
Amortization of Development Costs	—	—	—	0.80
Sub-Total	24.82	18.63	60.88	68.68
Return on Investment	4.00	3.94	16.98	33.69
Less: Interest on DC-8 Equipment Deposits	—	—	1.07	0.57
<b>Total</b>	<b>28.82</b>	<b>22.57</b>	<b>76.79</b>	<b>101.80</b>

[fol. 1970]

## EXHIBIT C-2

PAN AMERICAN WORLD AIRWAYS, INC.  
 OFFICIAL PRICE LIST—APRIL 1-JUNE 30, 1958  
 PANAGRA

I—AIRCRAFT SERVICES AND OVERHAULS—  
 LABOR

<i>Aircraft Type</i>	<i>Service Type</i>	<i>Fixed Price</i>
DC-6B	#1 Service—Routine Only	\$ 480
	#3 Equalized	3,990
	Engine Change	180*
	Supercharger Change	150*
DC-7B	#1 Service—Routine Only	630
	#3 Equalized	4,200
	Engine Change	240*
	Supercharger Change	180*
DC-4—AE & B Models	All Services	Flat Rate per Actual Man-hours Expended

Except as noted in the following paragraphs, the fixed prices quoted provide for labor to perform routine, time limit and inspection (discrepancy) items according to service work forms and policies in effect April 1, 1958:

- a) The quoted labor dollars apply to services performed on aircraft regularly maintained at MOB. We reserve the right to quote special manhour prices or to bill on the basis of actual hours for services to aircraft brought to MOB at infrequent or irregular intervals, and for minor services in combination with major modification projects. Aircraft entering the MOB service pattern for the first time are subject to billing at actual hours until the MOB Chief Inspector and

\* Applicable only on services where this work has not been prorated into the fixed price (Transit Services).

the customer representative agree that the aircraft is up to MOB standard. The work described in MOB Administrative Manual Publication #19.02.02 2 is non-predictable and will be billed at actual hours.

- \* b) Overhaul of engines, propellers and components removed during services is not included in the quoted service figures.
- c) The quoted manhour figures for all #1 Services apply only to the routine portion of the services. All inspection item category of work on #1 Services will be billed on the basis of actual manhours expended.
- d) No fixed prices are quoted for any Overhaul Services that may be performed on any PAG aircraft during the Second Quarter 1958.

[fol. 1971]

## II—ENGINE AND NACELLE OVERHAUL—LABOR..

	Fixed Price		
	R 2800	R 2800	R 3350 DA
Bare Engine Overhaul when part of power package overhaul	\$1,782	\$2,727	\$3,321
Bare Engine Overhaul when not part of power package overhaul	1,863	2,862	3,483
Nacelle Overhaul—Routine	567	621	783
Nacelle Overhaul—Major	594	837	972
Nacelle Build-Up	189	297	459

Powerplant overhaul prices include the labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs, and to reassemble and functionally test the unit. Small machining and plating operations normally considered to be a part of routine overhaul are also included. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated, at the applicable labor rates as hereinafter set forth for each manhour of direct labor utilized. The cost of overhauling engine and nacelle ac-

cessories removed during overhauls is not included in the above prices.

Engine and Nacelle repair and exploratory or diagnostic disassembly, as distinguished from routine overhaul is not included in the above prices and will be billed on the basis of actual hours expended times the applicable labor rate. Major changes in procedures and or tolerances occurring within the quarter are considered cause for adjusting the fixed price.

### III—COMPONENT OVERHAUL—LABOR AND MATERIAL

#### *Component Overhaul*

Flight equipment accessories classified as "Components" listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component including all elements of costs except material mark-up in effect as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the Component Overhaul Price List dated April 1, 1958, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times by mutual agreement. Components now listed in the above referred to Price List will be overhauled at actual man-hours at the applicable rate per hour and actual material consumed at Latin American Division average price plus the applicable mark-ups hereinafter set forth.

#### [fol. 1972] *Propeller Overhaul*

<i>Propeller Type</i>	<i>Fixed Price</i>
DC-4	\$297
DC-6B	432
DC-7B	513

Propeller overhaul prices include labor necessary to disassemble, clean, inspect, replace worn or defective parts, make minor repairs and to reassemble and functionally test

the unit when such unit has been removed from the aircraft due to expiration of operating time limit. Labor for modification, conversion and/or customer request items which require time in excess of that required for a routine overhaul will be billed at a flat price to be negotiated at the time such work is requested, or, if no price is negotiated at the applicable labor rate hereinafter set forth for each manhour of direct labor utilized. Propeller repair work when not forming part of a normal overhaul will be billed at actual manhours utilized.

Major changes in procedures and/or tolerances occurring within the quarter are considered cause for adjusting the fixed price.

#### IV—OTHER—LABOR

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized.

#### V—MATERIAL

All material consumed in any of the services, overhauls, modifications or miscellaneous repairs will be billed at Latin American Division average prices, or fixed material prices if applicable, plus freight and price variance mark-ups at the applicable material rates as hereinafter set forth.

#### VI—RATES

The applicable labor rates referred to in this Exhibit C-2 shall be as follows:

	<i>Cost Per Manhour</i>
Aircraft Service Work-Center	\$6.00
Component Overhaul Work Center	5.40
Surcharges—Overtime Premiums— <sup>1</sup>	
Time and one half	1.30
Double Time	2.60

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in MOB Administrative Manual Publication 19.02.02 4.



The applicable material rates referred to in this Exhibit C-2 shall be as follows:

Freight Inventory Dissipation	—1½% Dr. of material billings.
Inventory Price Variance Dissipation	—½ of 1% Dr. of material billings.

[fol. 1973] VII—MISCELLANEOUS

The rates applicable to the other special services referred to in paragraph 65, shall be as follows:

Engineering and Laboratory Service	\$ 5.00 per hour
Laboratory Fuel & Oil	20.00 per test
Sample Testing	
Flight and Crew	2,250.00 per month
Scheduling	
CAA Specification	150.00 per month
Handling	
Services of Supply	Rates as established in Letter
Department Services	Purchasing Agreement dated
	July 14, 1948 (as amended).
Other Services	Rates to be negotiated at time of request for service.

Labor rate changes not anticipated herein developing through negotiations affecting this period will be distributed retroactively on the basis of the distribution of labor, so affected.

[fol. 1974]

EXHIBIT C-3

PAN AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST—  
JULY 1-SEPTEMBER 30, 1958

PANAGRA

I AIRCRAFT SERVICES AND OVERHAULS—  
LABOR

All aircraft services and overhauls shall be performed on actual manhours expended at the applicable labor rate hereinafter set forth.

II ENGINE AND NACELLE OVERHAUL—LABOR

All engine and nacelle overhauls shall be performed on actual manhours expended at the applicable labor rate hereinafter set forth.

III COMPONENT OVERHAUL—LABOR AND  
MATERIAL

*Component Overhaul*

Flight equipment accessories classified as "Components" listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component including all elements of costs except material mark-up in effect as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the Component Overhaul Price List dated July 1, 1958, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times by mutual agreement. Components not listed in the above referred to Price List will be overhauled at actual manhours at the applicable rate per hour and actual material consumed at

Latin American Division average price plus the applicable mark-ups hereinafter set forth.

#### *Propeller Overhaul*

All propeller overhauls and services will be billed on the basis of manhours of direct labor utilized at the applicable labor rate hereinafter set forth.

#### IV OTHER—LABOR

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized.

#### [fol. 1975] V MATERIAL

All material consumed in any of the services, overhauls, modifications or miscellaneous repairs will be billed at Latin American Division average prices, or fixed material prices if applicable, plus freight and price variance mark-ups at the applicable material rates as hereinafter set forth.

#### VI RATES

The applicable labor rates referred to in this Exhibit C-3 shall be as follows:

	<i>Cost Per Manhour</i>
Aircraft Service Work Center	\$6.00
Component Overhaul Work Center	5.45
Surcharges—Overtime Premiums—	
Time and one half	1.30
Double Time	2.60

The applicable material rates referred to in this Exhibit C-3 shall be as follows:

Freight Inventory Dissipation	1½% Dr. of material billings.
Inventory Price Variance Dissipation	½ of 1% Dr. of material billings.

Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in LAD Administrative Manual Publication #19.02.02/4.

## VII MISCELLANEOUS

The rates applicable to the other special services referred to in paragraph 65, shall be as follows:

Engineering and Laboratory Service	\$ 5.50 per hour
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Laboratory Fuel & Oil Sample Testing	22.00 per test
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Flight and Crew Scheduling	2,250.00 per month
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CAA Specification Handling	150.00 per month
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Services of Supply Department Services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).
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Other services	Rates to be negotiated at time of request for service.
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Labor rate changes not anticipated herein developing through negotiations affecting this period will be distributed retroactively on the basis of the distribution of labor, so affected.

[fol. 1976]

## EXHIBIT C-4

PAN AMERICAN WORLD AIRWAYS, INC.

OFFICIAL PRICE LIST—  
OCTOBER 1-DECEMBER 31, 1958

## PANAGRA

I AIRCRAFT SERVICES AND OVERHAULS—  
LABOR

All aircraft services and overhauls shall be performed on actual manhours expended at the applicable labor rate hereinafter set forth.

## II ENGINE AND NACELLE OVERHAUL—LABOR

All engine and nacelle overhauls shall be performed on actual manhours expended at the applicable labor rate hereinafter set forth.

III. COMPONENT OVERHAUL—LABOR AND  
MATERIAL*Component Overhaul*

Flight equipment accessories classified as "Components" listed in the Latin American Division Component Manual, as revised from time to time, shall be overhauled at a price per individual component including all elements of costs except material mark-up in effect as of the time of removal from flight equipment at Miami or the time of receipt in Miami from line stations, in accordance with the Component Overhaul Price List dated October 1, 1958, as the same may be revised from time to time by mutual agreement. Such prices shall be subject to review at the time this price list is subject to review and may be changed at other times by mutual agreement. Components not listed in the above referred to Price List will be overhauled at actual manhours at the applicable rate per hour and actual material consumed at Latin American Division average price plus the applicable mark-ups hereinafter set forth.

*Propeller Overhaul*

All propeller overhauls and services will be billed on the basis of manhours of direct labor utilized at the applicable labor rate hereinafter set forth.

## IV OTHER—LABOR

All other miscellaneous maintenance work shall be billed on the basis of the applicable labor rates per manhour for each manhour of direct labor utilized.

## [fol. 1977] V MATERIAL

All material consumed in any of the services, overhauls, modifications or miscellaneous repairs will be billed at Latin American Division average prices, or fixed material prices if applicable, plus freight and price variance mark-ups at the applicable material rates as hereinafter set forth.

## VI RATES

The applicable labor rates referred to in this Exhibit C-4 shall be as follows:

*Cost Per Manhour*

Aircraft Service Work Center	\$6.75
Component Overhaul Work Center	5.85
Surcharges—Overtime Premiums— <sup>1</sup>	
Time and one half	1.30
Double Time.	2.60

The applicable material rates referred to in this Exhibit C-4 shall be as follows:

Freight Inventory Dissipation	1½% Dr. of material billings.
Inventory Price Variance Dissipation	½ of 1% Dr. of material billings.

<sup>1</sup> Maintenance work requests resulting in a requirement to perform work on an overtime basis shall be handled as provided for in LAD Administrative Manual Publication #19.02.02/4.



## VII MISCELLANEOUS

The rates applicable to the other special services referred to in paragraph 65 shall be as follows:

Engineering and Laboratory Service	\$ 5.50 per hour
Laboratory Fuel & Oil Sample Testing	22.00 per test
Flight and Crew Scheduling	2,250.00 per month
CAA Specification Handling	150.00 per month
Services of Supply Department Services	Rates as established in Letter Purchasing Agreement dated July 14, 1948 (as amended).
Other services	Rates to be negotiated at time of request for service.

Labor rate changes not anticipated herein developing through negotiations affecting this period will be distributed retroactively on the basis of the distribution of labor, so affected.

[fol. 1978]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 26

BEFORE THE  
CIVIL AERONAUTICS BOARD

Docket No. 4882 et al.

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In the matter of the

REOPENED NEW YORK-BALBOA THROUGH SERVICE PROCEEDING.

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Docket No. ....

---

In the matter of the

Application of National Airlines, Incorporated; Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. for approval of Equipment Interchange Agreement and Amendment to Through Flight Agreement under Section 412 of the Civil Aeronautics Act and, if deemed necessary, for approval under or exemption from Section 408 of the said Act.

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APPLICATION OF NATIONAL AIRLINES, INCORPORATED, PAN AMERICAN WORLD AIRWAYS, INC., AND PAN AMERICAN-GRACE AIRWAYS, INC. FOR APPROVAL OF EQUIPMENT INTERCHANGE AGREEMENT AND AMENDMENT TO THROUGH FLIGHT AGREEMENT UNDER SECTION 412 OF THE CIVIL AERONAUTICS ACT AND, IF DEEMED NECESSARY, FOR APPROVAL UNDER OR EXEMPTION FROM SECTION 408 OF THE SAID ACT.

Communications with respect to the above  
Application should be addressed to:

Alexander G. Hardy,  
Senior Vice President,

NATIONAL AIRLINES, INCORPORATED,  
Wyatt Building,  
Washington, D. C.

Henry J. Friendly,  
Vice President and General Counsel,

PAN AMERICAN WORLD AIRWAYS, INC.,  
135 East 42nd Street,  
New York 17, N. Y.

Douglas Campbell,  
Vice President and General Manager,

PAN AMERICAN-GRACE AIRWAYS, INC.,  
135 East 42nd Street,  
New York 17, N. Y.

Dated: AUG 4 1955

[fol. 1979].

**BEFORE THE  
CIVIL AERONAUTICS BOARD**

**Docket No. 4882 et al.**

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**In the matter of the  
REOPENED NEW YORK-BALBOA THROUGH SERVICE PROCEEDING**

---

**Docket No. ....**

---

**In the matter of the  
Application of National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. for approval of Equipment Interchange Agreement and Amendment to Through Flight Agreement under Section 412 of the Civil Aeronautics Act and, if deemed necessary, for approval under or exemption from Section 408 of the said Act.**

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**APPLICATION OF NATIONAL AIRLINES, INCORPORATED, PAN AMERICAN WORLD AIRWAYS, INC., AND PAN AMERICAN-GRACE AIRWAYS, INC. FOR APPROVAL OF EQUIPMENT INTERCHANGE AGREEMENT AND AMENDMENT TO THROUGH FLIGHT AGREEMENT UNDER SECTION 412 OF THE CIVIL AERONAUTICS ACT AND, IF DEEMED NECESSARY, FOR APPROVAL UNDER OR EXEMPTION FROM SECTION 408 OF THE SAID ACT.**

The application of National Airlines, Incorporated (hereinafter referred to as "National"), Pan American World Airways, Inc. (hereinafter referred to as "Pan American") and Pan American-Grace Airways, Inc. (hereinafter re-

ferred to as "Panagra") respectfully shows to the Board as follows:

1. National, a Florida corporation, is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail by air on Route No. 31 between New York, N. Y. and Miami, Florida, by various intermediate points.

2. Pan American, a New York corporation, is the holder of a certificate of public convenience and necessity authorizing [fol. 1980] the transportation of persons, property and mail by air between Miami, Florida, and Balboa, Canal Zone, by various intermediate points.

3. Panagra, a Delaware corporation, is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail by air between the Canal Zone and points in South America.

4. National, Pan American and Panagra have entered into an Equipment Interchange Agreement for the provision of through-plane service between New York and Miami on National's route No. 31, Miami and Balboa on Pan American's Latin American route, and Balboa and points on Panagra's route, a copy of which is attached as Exhibit A.

5. Pan American and Panagra have entered into a supplement to the Through Flight Agreement between them dated July 30, 1946, as previously amended, heretofore approved by the Board, a copy of which Supplement is attached as Exhibit B.

6. The parties respectfully request: (1) that the Board approve, under Section 412 of the Civil Aeronautics Act, the Equipment Interchange Agreement, a copy of which is attached as Exhibit A, and the Through Flight Agreement as the same will be amended by the Supplement, a copy of which is attached as Exhibit B; and (2) that if the Board should deem that approval of either of said agreements under Section 408 of the said Act is required, that the Board grant such approval or, if the Board considers that a further hearing would be necessary, to that end, that

the Board exempt the parties from the requirements of Section 408 of the Civil Aeronautics Act insofar as required [fol. 1981] to permit the said agreements to become effective.

Respectfully submitted,

NATIONAL AIRLINES, INCORPORATED

By /s/ ALEXANDER G. HARDY  
Senior Vice President

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

Dated: AUG 4 1955

[fol. 1982]

EXHIBIT A

# EQUIPMENT INTERCHANGE AGREEMENT

THIS EQUIPMENT INTERCHANGE AGREEMENT, made this       day of August, 1955, between NATIONAL AIRLINES, INCORPORATED, a corporation organized and existing under the laws of the State of Florida (hereinafter referred to as "National"), PAN AMERICAN WORLD AIRWAYS, INC., a corporation organized and existing under the laws of the State of New York (hereinafter referred to as "Pan American"), and PAN AMERICAN-GRACE AIRWAYS, INC., a corporation organized and existing under the laws of the State of Delaware (hereinafter referred to as "Panagra");

## WITNESSETH:

I. WHEREAS, National is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail between New York,



N. Y. and Miami, Florida (such route being sometimes hereinafter referred to as "the New York-Miami route" or "the Miami-New York route") by various intermediate points;

II. WHEREAS, Pan American is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail between Miami, Florida and Balboa, C. Z. (Ancon, C. Z. or Panama City, Panama) by various intermediate points; and

III. WHEREAS, Panagra is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail between the Canal Zone and points in South America; and

IV. WHEREAS, Pan American is a party to an agreement dated July 30, 1946 with Panagra which has been supplemented by various further agreements (the said agreement as so supplemented being hereinafter called "the Through Flight Agreement"), whereby Pan American agrees to charter, as set forth in said agreement, certain [fol. 1983] aircraft of Panagra for through operation from and to Panagra's northern terminus at Balboa over certain routes or proposed routes of Pan American specified in such agreement, including Pan American's route between Balboa and Miami referred to in recital II; and

V. WHEREAS, concurrently herewith, Pan American and Panagra are executing a modification of the Through Flight Agreement providing that, for the term of this Agreement, unless the Board may otherwise permit, all flights operated under the Through Flight Agreement shall be through flights to and from New York operated between Miami and New York over the route of National, and making further provision whereby the aircraft of Panagra chartered to Pan American pursuant to the Through Flight Agreement for through operation by Pan American between the Canal Zone and Miami may be leased to National in accordance with this Agreement; and

VI. WHEREAS, in view of the substantial number of persons and the substantial quantity of property and mail

carried by connecting service between points on National's Route No. 31, on Pan American's Miami-Balboa route and on Panagra's route, National, Pan American and Panagra consider it in the public interest to furnish through-plane service to accommodate this traffic as hereinafter provided.

NOW, THEREFORE, in consideration of the premises, it is agreed as follows:

### 1. *Lease of Aircraft*

(a) National will lease Panagra aircraft (including cargo only aircraft) operated by Pan American from Balboa into Miami under the Through Flight Agreement, for through operation from Miami to New York and intermediate points on National's Route 31 and for return operation to Miami and thence to Balboa and beyond. Also, as provided in paragraph 2(b) of this Agreement, Pan American and Panagra, respectively, will lease National [fol. 1984] aircraft including cargo only aircraft, operated by National from New York to Miami for through operation over Pan American's route to Balboa and Panagra's route beyond and for return operation to Miami and thence to New York. The terms of the lease of National aircraft shall be agreed at an appropriate time and set forth in a supplement to this Agreement.

(b) The lease of Panagra aircraft shall become effective upon the delivery of the aircraft to National at National's loading ramps at Miami by Pan American as agent for Panagra, and the delivery by National of a receipt for such aircraft in a form to be agreed upon, and shall terminate upon delivery by National of the aircraft to Pan American as agent for Panagra at Pan American's loading ramps at Miami and the delivery to National of a similar receipt. The parties shall designate certain persons or certain classifications of employees who shall have authority to make and accept delivery of aircraft and to execute, deliver and accept receipts therefor on behalf of the parties, respectively. All line service work while Panagra aircraft are under lease will be performed by the lessee, it being understood that National at Miami will only be responsible therefor on northbound through flights. In the event that

for any reason an aircraft engaged in operations under this Agreement is required to bypass or overfly Miami, the lease shall become effective or shall terminate as the case may be, when such aircraft reaches 25 degrees, 49 minutes, North, or at such other time as may be agreed upon.

(c) Panagra aircraft may be withdrawn from lease at any time because of mechanical defects or when such withdrawal will not unreasonably interfere with the operation of a through flight. In the case of any such withdrawal, the lessor shall substitute another aircraft of the same or comparable type with substantially comparable seating capacity, if such aircraft is available, in time to enable the operation of any flight which otherwise would have been [fol. 1985] performed with the withdrawn aircraft. Receipts conforming to those to be given at the time of the regular lease and the return of aircraft under subsection (b) shall be executed by authorized personnel at the time of any such withdrawal or substitution.

(d) The route in the continental United States over which through flights are to be operated under this Agreement shall be National's Route No. 31 between Miami and New York, except that stops shall be made at Washington if agreed between Panagra and National, or if agreed between Pan American and National, provided, however, that such stops shall not be on such a number of schedules as would prejudice the purpose of this Agreement to provide through service between New York, Miami, the Canal Zone and points on Panagra's route in South America, and stops shall be made at other intermediate points on National's Route No. 31 as mutually agreed upon between the parties. If National's Miami-New York route shall be extended to any points beyond New York, any or all such flights may be operated thereto by mutual agreement.

## 2. *Number and Nature of Through Flights and Schedules*

(a) The parties agree that upon this Agreement becoming effective, National will immediately operate between Miami and New York with Panagra aircraft operated between the Canal Zone and Miami under charter to Pan American pursuant to the Through Flight Agreement, at

a frequency of two round trips per day, one of which will be the "El InterAmericano" first-class flight, and the other will be the "El Pacifico" tourist-class flight.

(b) National will operate additional flights between Miami and New York with Panagra aircraft operated between the Canal Zone and Miami under charter to Pan American pursuant to the Through Flight Agreement, provided that National agrees that such additional flights are reasonably required for the convenient handling of [fol. 1986] through traffic and provided further that if the number of through flights operated under this Agreement shall exceed twenty-one (21) per week, National shall have the option to furnish the necessary additional equipment for such flights in excess of twenty-one (21) in the ratio of the mileage flown over National's Route No. 31 on said additional flights to the total through flight mileage over which said additional flights in excess of twenty-one (21) flights weekly are operated.

(c) In addition to and apart from the above, whenever the parties determine that scheduled cargo-only flights are required for the convenient handling of through cargo traffic, the necessary schedules and equipment to be used on such cargo service will be mutually agreed upon.

(d) The parties will consult from time to time with a view to fixing the schedules of the through flights being operated pursuant to this Agreement in such manner as to provide the most convenient and advantageous schedules for the benefit of such through traffic, with due consideration to the need for adequate loads of both domestic and international traffic to provide load factors which will permit the continued operation of such schedules and will provide economical and efficient utilization of the aircraft. Nothing in this paragraph shall in any wise affect the obligations of Pan American to Panagra under paragraph 4(a) of the Through Flight Agreement.

(e) If experience shall demonstrate that the load factors (including both domestic and international through traffic) on the through flights operated pursuant to this Agreement shall be inadequate, the parties shall take appropriate ac-

tion to increase such load factors through reduction or adjustment of their schedules or otherwise. It is the intention of the parties that within the limitations which may be necessary by reason of the operations under the Through Flight Agreement and this Agreement, through flight schedules and turn-arounds shall be arranged to assure maximum utilization of aircraft leased pursuant to this Agreement, and each party shall exercise due diligence in delivering or redelivering such aircraft.

(f) In routing and selling local and way-to-way traffic, none of the parties shall discriminate in favor of flights not operated pursuant to this Agreement and the parties shall be under a continuing obligation to use their best efforts to develop economic load factors on all flights operated pursuant to this Agreement.

(g) The parties will instruct their respective personnel to cooperate in arranging and adjusting from time to time as occasion may arise reasonable and sound procedures for meeting traffic and operating problems that may arise in respect of any particular flight by reason of through flights arriving at Miami northbound or southbound unduly delayed. Due consideration shall be given in this connection to the purpose of this Agreement to provide through plane service for traffic between points on National's Route No. 31 and on Pan American's Miami-Balboa route and points on Panagra's route. Pan American shall give National immediate notice whenever aircraft scheduled to arrive in Miami northbound are to be unduly delayed, and thereafter, in order to accommodate National's Miami-New York traffic, at National's request, another aircraft will be substituted if such aircraft is available at Miami for operation of the scheduled flight to New York and return. It is the intention of the parties that in case of such substitution, or of operation by National of its own aircraft in lieu of the delayed aircraft, the delayed aircraft shall be operated through to New York when agreed to by the operations personnel of Panagra or Pan American and National. The parties agree to adjust their schedules or to make other appropriate arrangements if after a reasonable trial period National's Miami-New York traffic is un-

duly inconvenienced by reason of delays in the arrival of interchange aircraft. It is intended that the parties will [fol. 1988] exercise the same degree of diligence and effort in maintaining schedules to be operated pursuant to this Agreement as each party customarily exercises in operations over its own routes.

### 3. *Aircraft and Crews to be Operated under Agreement*

(a) Panagra aircraft operated pursuant to this Agreement over National's Route No. 31 shall, subject to agreement with the authorized representative of National's cabin attendants, be operated with Panagra cabin attendants except that there shall be one National cabin attendant, provided, however, that when such cabin attendants are to be in excess of National's normal complement of cabin attendants, for the same class of service, the additional cost shall be defrayed by Panagra. Panagra aircraft shall be operated with the pilots and flight engineers of National on National's Route No. 31 except that with respect to flights which, for operating or other reasons, do not land at Miami, the flight crew then operating the aircraft shall proceed to an appropriate alternate airport. All aircraft operated under this Agreement shall be properly licensed for operation over the routes, and all flight personnel on such aircraft shall be fully licensed and/or qualified for such operation. The parties will furnish each other with all data which may be required for the inclusion of their aircraft and flight personnel as specified in the others' Air Carrier Operating Certificates.

(b) The aircraft which shall be tendered pursuant to this Agreement shall be of a modern type capable of carrying on the services herein contemplated a reasonable load at competitive speeds, and with accommodations and comfort-level measured in the light of the aircraft types currently being operated over the Miami-New York route.

(c) The lessee shall have a right to inspect any aircraft tendered for operation pursuant to this Agreement before accepting same and may refuse to operate any aircraft [fol. 1989] tendered which is not in satisfactory operating



condition, subject only to customary line service, in the light of regulations of the Civil Aeronautics Administration and prevailing airline standards.

#### 4. *Responsibility for Operations*

The lessee shall have full responsibility for and control over the operation of leased aircraft over its route while under lease to it as provided in this Agreement. The lessee's responsibility for such operation, without limiting the generality of the foregoing, shall include responsibility for and performance of operations dispatch, flight-plan clearance, radio, plane guard and in-flight instructions, all communications, navigation and weather facilities and services, all loading and discharge of airplanes, all handling of traffic and passenger service, all necessary airplane and engine inspection and on-line and turn-about maintenance service, and all emergency maintenance to the extent necessary or appropriate for the safety or preservation of the aircraft or to the extent requested by the lessor, provided that the lessee shall not be obligated to perform emergency maintenance at the lessor's request unless it has personnel and facilities capable of performing such emergency maintenance at the point where the aircraft is located. The lessee undertakes to furnish in connection with such operations adequate and efficient ground facilities and personnel to conduct such operations in accordance with approved and modern standards which shall in no event be lower than those provided in the case of its own aircraft, and to treat the lessor's aircraft on a basis of complete equality with its own aircraft.

#### 5. *Traffic*

(a) The parties shall book and route through traffic between points on National's Route No. 31 and the Canal Zone and Panama on Pan American's route and points beyond on Panagra's route in South America via Panagra aircraft to the fullest extent practicable, provided that nothing herein contained shall be deemed to restrict the [fol. 1990] parties from operating through or connecting flights with each other or with any other carrier and rout-

ing traffic via such flights where a substantial improvement of service to the passenger or shipper would result.

(b) In order to assure that through traffic will be handled at maximum efficiency it is agreed that in the case of all northbound and southbound through flights operated over National's route, Panagra, and, subject to Panagra's reasonable requirements, Pan American, shall, from time to time, request National to block off until a reasonable time prior to departure a specific number of seats and a designated amount of mail and cargo capacity which will be designed to accommodate the through traffic reasonably expected, and shall themselves block off for the through flights on their own route a number of seats and an amount of mail and cargo capacity reasonably related to the seats and amount of capacity which they shall have requested National to block off, and the parties shall arrange their reservations control accordingly. If experience over a reasonable time indicates that the seats or capacity so blocked off unduly exceed the through traffic actually carried, the parties shall take appropriate action to prevent nonutilization of capacity, with due regard, however, for the requirements of the through traffic. Subject to the foregoing, it is the intention of this Agreement that the parties will route local and way-to-way traffic on the interchange aircraft in the same manner as on schedules operated with their own aircraft.

#### *6. Sales, Advertising and Publicity*

(a) The parties shall cooperate and shall use their best efforts to promote and develop traffic to be carried on through flights operated under this Agreement. The parties will advertise and otherwise publicize that through plane service is afforded over National's, Pan American's, and [fol. 1991] Panagra's routes between points on National's Route No. 31 in the northeastern United States and the Canal Zone and Panama and points on Panagra's route in South America. The parties hereto will agree in advance with each other on appropriate advertising programs (including newspaper and magazine space, advertising and

display pieces and collateral material) and budgets therefor, for promoting the through flights made pursuant to this Agreement and the approved expense of all such advertising shall be apportioned among them as from time to time agreed, provided, however, that no charge shall be made for transporting advertising material to the most effective point of use.

(b) National will cause the names of Pan American World Airways, Inc. and Pan American-Grace Airways, Inc., and, if Panagra shall so request, the name "Panagra", in such size and form as the parties may agree and the Pan American and Panagra insignia to be displayed on traffic counters at all airports and sales offices, including city ticket offices, at points in the continental United States (other than Miami) at which Panagra aircraft are operated under lease to National pursuant to this Agreement. At any airport in the continental United States at which Panagra aircraft may be operated under this Agreement Pan American and/or Panagra may, at their expense, if they determine the same to be necessary or desirable, station a reasonable number of personnel who, without interfering with National's procedures, may assist in accommodating through traffic arriving from or departing to points on their respective certificated routes, it being understood that Pan American and Panagra will arrange between themselves to avoid duplication of such personnel. Persons so employed shall have access to National's space and facilities at such airports at National's absolute discretion.

(c) Pan American and Panagra will cause the name National Airlines, Inc. in such size and form as the parties [fol. 1992] may agree and the National insignia to be displayed on traffic counters at all airports and sales offices, including city ticket offices, at points outside the continental United States to which Panagra aircraft are operated.

(d) Panagra, acting through Pan American as Panagra's General Traffic and Sales Agent in the United States, and Pan American may from time to time indicate to National reasonable methods and procedures which they desire to

have established by National in connection with the selling, handling or servicing of traffic originating on or to be carried over their routes and National will put such methods and procedures into effect if agreed by it. The parties agree to furnish each other with periodic reports concerning the traffic sold to and from points on their respective routes in such reasonable detail and such form as shall be requested and mutually agreed.

(e) The name of the lessor, in such form as the lessor may determine, and its insignia shall appear on the exterior of all airplanes leased under this Agreement in addition to an appropriate statement inside the airplane informing the public that the airplane is the lessor's airplane under lease to the lessee.

#### 7. *Liability to Third Parties and Insurance*

(a) The lessee will indemnify the lessor and hold it harmless in respect of any liability (other than to the lessor's flight crews and cabin attendants, if any, engaged in the operation of the lessor's aircraft) arising or claimed to arise as a result of lessee's operation, possession or use of the lessor's aircraft during the period of any lease. The lessee will carry passenger and cargo and public liability (including liability of lessor to employees of lessee) and property damage insurance policies covering risks attendant upon the foregoing in companies and with coverage which shall meet the lessor's reasonable satisfaction, such [fol. 1993] coverage to be in any event at least as extensive as in the case of its own aircraft; and will cause the lessor to be included in its policies as a party insured.

(b) The lessor will indemnify the lessee and hold it harmless (1) in respect of any liability arising or claimed to arise as a result of the operation of lessor's aircraft except when such aircraft shall be leased to the lessee, and (2) from all claims of lessor's flight crews and cabin attendants, if any, engaged in the operation of lessor's aircraft. The lessor will carry passenger and cargo and public liability and property damage insurance policies covering the risks attendant on the foregoing in companies and with

coverage which shall meet the lessee's reasonable satisfaction, such coverage to be in any event at least as extensive as in the case of its own operations, and will cause the lessee to be included in its policies as a party insured. The lessor will also carry appropriate policies of workmen's compensation insurance with respect to the employees referred to in clause (2) hereof.

(8) All indemnities herein shall include related costs and expenses.

(d) In the event of loss of or damage to or delay in the delivery of baggage or personal effects of a passenger, or cargo, express or mail on an aircraft making a through flight hereunder, the party having possession of the aircraft at the time the loss, damage or delay occurs shall, as between the parties hereto, be responsible therefor but in no event in excess of its liability under its stated conditions of carriage. In case it is not possible to establish which party has possession of the aircraft at the time of such loss, damage or delay, any liability or expense arising therefrom shall be shared among the parties in proportion to the revenue received from the transportation of the passenger whose baggage or personal effects shall have been lost, damaged or delayed or from the transportation of the cargo, express or mail which shall have been lost, damaged or delayed.

#### *8. Damage to Aircraft and Hull Insurance*

The lessee shall be liable for all loss or damage to aircraft or other property under lease to it pursuant to this Agreement within limits (which shall properly reflect the value of such aircraft or other property) to be agreed upon from time to time between the lessor and the lessee, irrespective of any question as to the proper maintenance of the aircraft or other property by lessor. Such value is hereinafter referred to as the "agreed value". If the loss or damage is of such extent that the aircraft is deemed to be a constructive total loss, the lessee shall pay to the lessor the agreed value of the damaged aircraft and the associated equipment installed therein, as of the date of

damage. Upon making such payment the lessee shall become the owner of such aircraft and the associated equipment installed therein and all salvage thereof. The lessee shall not be liable to the lessor for loss of use of the aircraft or other property as a result of loss or damage thereto.

The lessee shall, unless it desires to operate in whole or in part as a self-insurer, procure and maintain in full force and effect during the term of this Agreement at its own expense policies of hull insurance insuring against any loss of damage for which the lessee may be liable in an amount equal to the agreed value of each aircraft to be leased hereunder, in companies and under terms of insurance [fol. 1995] which shall meet the lessor's reasonable satisfaction. Said policies of insurance shall name the lessor as a co-insured and the lessee shall provide to the lessor a certificate of insurance evidencing such coverage. Such certificate of insurance shall have in it a "breach of warranty" clause providing that a breach of the insuring conditions by the lessee will not invalidate the insurance as to the lessor. The lessee agrees to require its insurers to waive any and all rights of subrogation such insurers may or could have against the lessor by virtue of such insurance contracts. The certificate of insurance shall also contain a provision that the lessor shall be given thirty (30) days' prior written notice by the insurers in the event either the insurers or the lessee desire to cancel or make a material change in the insuring conditions of such policies of insurance.

If the lessee desires to operate in whole or in part as a self-insurer, the lessor may require the lessee, prior to the commencement of operations or use of aircraft hereunder, or at any time thereafter, to deliver a bond with a surety and under terms and conditions reasonably satisfactory to the lessor which shall indemnify the lessor against any loss occasioned by such lessee's election not to procure hull insurance coverage in accordance with the provisions of this paragraph provided that a condition of any such bond shall be that it shall not be cancellable except upon thirty (30) days' prior written notice thereof from the surety to the lessor; and provided further that no such bond shall be



required if the amount of the hull insurance coverage carried by such self-insuring lessee is at least ninety percent (90%) of the agreed value of the aircraft.

[fol. 1996] 9. *Lien on Chartered Aircraft*

The lessee shall not permit any aircraft leased to it hereunder to remain subject to any mechanics or other lien whatsoever, and shall promptly satisfy or procure the discharge of any lien or garnishment of any nature whatsoever attaching to such aircraft.

10. *Compensation and Financial Provisions*

(a) *Rental*

National shall pay a rental for aircraft of Panagra leased hereunder at a rate per available seat mile based on National costs to be determined in accordance with the financial supplement attached and made a part hereof.

(b) *Expenses*

All expenses for the services contemplated to be performed by the lessee while the aircraft is under lease pursuant to this Agreement (except emergency maintenance as provided in paragraph 10(c)), and passenger and cargo liability, public liability and property damage and hull insurance as provided in paragraphs 7(a) and 8 shall be paid by the lessee.

(c) *Maintenance*

The lessor shall overhaul and maintain (except for turn-around maintenance while the aircraft is in the possession of the lessee) in accordance with its operations specifications, the aircraft leased hereunder. No aircraft shall be leased hereunder unless it is probable that it can be returned to the lessor before the time set for its next periodic inspection under the lessor's operations specifications unless, subject to agreement of the parties, the efficient utilization and routing of such aircraft makes such necessary or desirable. The lessee shall perform at the lessor's expense any emergency repairs or maintenance (not properly a

part of on-line or turnaround maintenance service) while the aircraft is in its possession to the extent requested by the lessor, but only to the extent to which it is capable with the personnel and facilities available at the point where [fo] 1997] the aircraft is located. The charge for such emergency repairs and maintenance shall be a fixed charge per man hour of direct labor, to be determined by agreement of the parties, plus the lessee's actual cost of materials used.

(d) Route mileages to be used in any determination under this Agreement will be those effective as shown in CAB Mileage Booklet No. 1, Airport-to-Airport Mileages over Interstate Routes of Certificated Air Carriers, and in any revisions thereof.

#### 11. *Radio and Communications*

The lessor agrees to the installation in its aircraft of all radio or other communications and navigation equipment which may be necessary for the flight of such aircraft in scheduled operations over the lessee's route. Responsibility for the cost of such installation shall be fixed in a supplementary financial agreement to be entered into between the parties.

#### 12. *Passenger Service*

It is the objective of the parties that on all through flights operated pursuant to this Agreement the quality of service, catering and attention afforded passengers on such flights shall be maintained at a level at least equal to the highest quality of service, catering and attention afforded passengers on any competitive international carrier serving Latin America. The parties will consult each other on a program for achieving this objective subject to the cost of maintaining this competitive standard of service being mutually agreed upon between the parties concerned.

#### 13. *Training*

A training program shall be established designed to qualify flight personnel and other personnel for all operations called for by this Agreement, and the expenses of such

programs shall be allocated among the parties concerned [fol. 1998] in accordance with a supplementary financial agreement to be negotiated and entered into between such parties.

#### *14. Access to Books and Records*

The lessor and lessee of aircraft leased hereunder shall each have access to the books, records and accounts of the other as may be reasonably required to verify costs, expenditures and other data pertinent to this Agreement. Each party shall also furnish such information with respect to the operation of the leased aircraft as may be reasonably required by the other parties.

#### *15. Agreements with Other Carriers*

During the term of this Agreement National will not hereafter enter into any interchange agreement with any other carrier providing for the operation of that carrier's aircraft over National's route between Miami and New York which contains financial terms more favorable to such carrier than the financial terms of this Agreement without making such terms available to Panagra at its option.

#### *16. Construction and Definitions*

(a) It is the intention of the parties that within the general framework and conception of this Agreement the various provisions shall be broadly and liberally construed to accommodate technical, commercial, international and regulatory developments in the field of air transportation to the end that through traffic will be handled at maximum efficiency and in a manner to meet changing competitive conditions.

(b) Nothing in this Agreement shall be deemed to require any of the parties to take any action in violation of any applicable law, regulation, or order.

(c) This contract shall be construed in accordance with the laws of the State of New York.

[fol. 1999] (d) The various headings herein and the grouping of the provisions of this Agreement into separate paragraphs shall not be construed to limit or restrict the meaning or application of any provision hereof, and are for the purpose of convenience only.

(e) Reference to the Civil Aeronautics Board and to the Administrator of Civil Aeronautics shall mean any successor Federal agency having jurisdiction similar to that now exercised by the Board and the Administrator.

(f) Reference to specific aircraft includes engines, propellers, and accessories and other equipment of every nature which are physically attached to or in operation on such aircraft.

(g) References to Balboa or to the Canal Zone shall be deemed to include Panama, it being recognized that traffic to and from the Canal Zone presently is handled through the Tocumen Airport in Panama.

## 17. Notice

Notice to National wherever provided in the Agreement shall be given in writing by registered letter addressed to: President, National Airlines, Inc., 3240 Northwest 27th Avenue, Miami, Florida, or to such other address as National may designate in writing. Notice to Pan American wherever provided in the Agreement shall be given in writing by registered letter addressed to: Vice President-Administration, Pan American World Airways, Inc., 135 East 42nd Street, New York, N. Y., or to such other address as Pan American may designate in writing. Notice to Panagra wherever provided in the Agreement shall be given in writing by registered letter addressed to: President, Pan American-Grace Airways, Inc., 7 Hanover Square, New York, New York; or to such other address as Panagra may designate in writing. Notice shall not be considered given until the date when the same shall have been received as evidenced by the Post Office return receipt or, if the [fol. 2000] addressee shall have refused to accept the registered notice, the date on which such registered notice shall have been first tendered to the addressee. Notwith-

standing the foregoing provisions of this paragraph, notice may likewise be given in writing by letter delivered to the person designated to receive notice as aforesaid; provided a receipted copy is secured.

#### 18. *Arbitration*

From and after the effective date of this Agreement any and all disputes as to the construction or operation of this Agreement shall be submitted to arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association as amended and in effect January 1, 1952 (hereinafter referred to as the "Rules"), in the manner hereinafter provided; provided, however, that the foregoing shall not render subject to arbitration any matter which under this Agreement is subject to agreement between the parties. The party requesting arbitration shall notify the other parties as to the matter to be arbitrated. Within five (5) days after receipt of such notice, the other parties shall notify the party giving the notice whether they claim an interest in the arbitration. If both of the other parties shall give such notice, the arbitration shall be before three disinterested and unbiased arbitrators appointed by the Administrator (as defined in the Rules). If only one of the other parties shall give timely notice of claim of an interest in the arbitration, such party and the party giving the initial notice shall each appoint an arbitrator within fifteen (15) days after the giving of the initial notice and, within ten (10) days after such appointment, the two arbitrators so appointed shall appoint a third arbitrator. If either party fails to appoint the arbitrator whom such party is entitled to appoint, or if the arbitrators appointed by or for the respective parties shall fail to appoint the third arbitrator, such then unappointed arbitrator shall be [fol. 2001] appointed by the Administrator. The award of any two of the three arbitrators shall be final, binding and conclusive upon the parties, and judgment upon the award may be entered in any court having jurisdiction. Any arbitration hereunder shall be conducted in accordance with the laws of the State of New York, and shall be conducted in New York, N. Y. unless the parties shall otherwise agree in writing.

### 19. *Effective Date*

This Agreement shall become effective upon the date when the orders of the Civil Aeronautics Board taking the actions hereinafter specified shall have become effective; provided, however, that if, prior to the date of the initiation of operations hereunder, any of such orders shall have been stayed either by the Civil Aeronautics Board or by any court of competent jurisdiction, the effective date of this Agreement shall be postponed until the dissolution of such stay:

- (1) Approval of this Agreement;
- (2) Continued approval of the Through Flight Agreement.

### 20. *Term*

This Agreement shall terminate, or may be terminated:

(1) If the Civil Aeronautics Board should at any time withdraw its approval hereof; or

(2) If the Civil Aeronautics Board should at any time withdraw its approval of the Through Flight Agreement; provided, however, that anything to the contrary herein notwithstanding such withdrawal of approval shall not prevent National and Panagra from conducting through flights pursuant to this Agreement if Panagra should obtain legal authorization to engage in air transportation between the Canal Zone and Miami or National should obtain legal authorization to engage in air transportation between Miami and the Canal Zone; or

[fol: 2002] (3) At the option of any of the parties on six (6) months' written notice and subject to the approval of the Civil Aeronautics Board.

### 21. *Through Flight Agreement—Reservation of Rights*

Nothing herein contained shall in any respect be in derogation of the rights and obligations of Pan American or Panagra under the Through Flight Agreement as to one another.



## 22. *Non-Prejudice*

If this Agreement is not approved by the Civil Aeronautics Board or for any other reason does not become effective or if, having become effective, this Agreement should be disapproved, terminated or cancelled the negotiation and the terms of this Agreement and all applications filed and acts done hereunder shall be without prejudice to the rights and future position of any party.

IN WITNESS WHEREOF and in consideration of the mutual covenants contained herein, the parties hereto have executed these premises as of the day and year first above written.

NATIONAL AIRLINES, INCORPORATED

By /s/ ALEXANDER G. HADBY  
Senior Vice-President

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

[fol. 2003]

**FINANCIAL SUPPLEMENT TO THE INTERCHANGE  
AGREEMENT BETWEEN NATIONAL AIRLINES  
INCORPORATED, PAN AMERICAN WORLD AIR-  
WAYS, INC. AND PAN AMERICAN-GRACE AIR-  
WAYS, INC.**

**1. Formula for Determination of Costs.**

Costs of flight equipment and related services supplied to lessee by lessor pursuant to the Interchange Agreement will be determined separately by type of flight equipment and services relating thereto and shall be based upon National's costs per available seat mile for operating the same type of flight equipment in the same type of service (for this purpose the Douglas DC-7 and DC-7B shall be considered as the same type of equipment). The available seat miles shall be computed by multiplying the revenue miles flown by the seats installed in the various types of aircraft by type of service after excluding seats reserved for crew use. Should National's accounting practices, company procedures or the introduction of new types of equipment seriously distort its costs, any cost so affected shall be adjusted to reflect a normal cost level. Any abnormal costs of introducing new types of aircraft or other abnormal costs which benefit subsequent periods, which are removed from current costs, shall be amortized over a reasonable period for purposes of this contract. This general formula for cost ascertainment shall be subject to the following agreed limitations and determinations:

**1.1 Direct Flight Costs**

**1.1.1 Flying Operations—Flying operations expense shall be determined as stated above except as follows:**

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\* All references to account numbers are to the Civil Aeronautics Board's Uniform System of Accounts for Air Carriers presently in effect. If any revision is made in such Uniform System of Accounts, this Financial Supplement will be revised accordingly, it being understood, however, that the same elements of cost shall be included in the determinations hereunder.

(1) Flight Crew Salaries and Expenses--Should the flight crews of either the lessor or the lessee be used on the routes of the other party pursuant to paragraph 1(a) of the Interchange [fol. 2004] Agreement, a separate charge will be made based on the available seat mile cost of National for salaries, traveling, training and supervision expenses and general administrative expenses applicable to flight crew salaries.

(2) Gasoline and Gasoline Taxes--The cost of these items shall be based on average consumption per revenue flight hour, including gas consumed in taxiing and run-up time, at average gasoline prices for each month, for the type of fuel used at the various points at which gasoline is delivered to aircraft leased, said prices to include any outside costs incurred in connection with fueling, converted to an available seat mile cost for each type of flight equipment operated in the Interchange Services. The average consumption per hour for each type of flight equipment shall be determined by actual measurement of fuel used on the first fifteen round trip flights on each schedule. The hourly consumption shall be increased by lessee's experience percentage of non-revenue to revenue hours to include non-revenue flying. The figure thus arrived at shall continue to apply except that either the lessor or the lessee may request a revision at any time when upon a new measurement shall be made on the next fifteen flights on each schedule and a new average consumption per hour converted to an available seat mile shall be determined on the basis of such measurement.

[fol. 2005] (3) Oil, ADI fluid and Related Taxes--The average actual cost of these items per available seat mile flown in the Interchange Services by type of flight equipment shall be used.

(4) Gasoline, oil, ADI fluid and related taxes supplied by the lessee shall be for the account of the lessor.

1.12 Direct Maintenance — Flight Equipment — The available seat mile cost of National for the same type of flight equipment in the same type service shall be used. In the event that it can be determined that overhaul reserves provided by National are either excessive or insufficient, the reserve provision shall be adjusted to reflect the cost level which may reasonably be anticipated.

1.13 Flight Equipment Depreciation—Depreciation expense shall be based upon National's cost per available seat mile for the same type of flight equipment in the same type of service except that if reported costs of aircraft and engines are based upon a life different than 7 years and 10% residual values the reported costs shall be adjusted to a 7-year basis and 10% residual values in making this determination. In the event that National's reported depreciation expense is distorted by the use of fully-depreciated flight equipment, appropriate adjustment will be made in this expense to reflect the normal level of costs.

1.21 Ground and Indirect Maintenance—This element of expense shall be determined by applying to National's direct labor cost per available seat mile by type of equipment in the same type of service National's overhead rate in relation to direct labor used in the maintenance of all types of flight equipment. The lessor and lessee have estimated that 25% of the direct labor and direct materials used [fol. 2006] in connection with ground maintenance included in Accounts 6227 and 6248 relate to maintenance of ground equipment not used in connection with the shop facilities. It is mutually agreed between the lessor and the lessee that such percentage will be subject to revision from time to time as studies of National's accounts may indicate as be-

ing appropriate. Therefore, 25% of the total of these two accounts shall be excluded and the formula for determining the overhead rate for this portion of the shop burden shall be as follows:

$$\frac{\begin{array}{l} \text{Total 6200 expense—25\% of} \\ \text{Accounts 6227 and 6248} \end{array}}{\begin{array}{l} \text{Accounts 5225 + 5226 + 5227} \\ + 25\% \text{ of 6227} \end{array}} = \text{Burden rate}$$

In computing the burden rate under the formula above, the expenditure of National in the accounts referred to in the numerator and denominator shall be gross before 80 account credits or direct credit transfers of expenses.

- 1.22 Depreciation—The lessor and the lessee estimate that 18% of all ground equipment depreciation relates to the shop facilities used in the maintenance of flight equipment. It is mutually agreed that such percentage will be subject to revision from time to time as studies of National's accounts may indicate as being appropriate. Therefore, this portion of the ground equipment depreciation of National shall be computed as an overhead item against direct labor used in flight equipment maintenance as follows:

$$\frac{\begin{array}{l} 18\% \text{ of Ground Equipment} \\ \text{Depreciation} \end{array}}{\begin{array}{l} \text{Accounts 5225 + 5226 + 5227} \\ + 25\% \text{ of 6227} \end{array}} = \text{Burden rate}$$

The cost to be used in the accounts in the numerator and denominator of the above formula shall be gross before 80 account credits or direct credit transfers of expenses.

- [fol. 2007] 1.23 General and Administrative Expense—Various items of expense in this category related to flight equipment maintenance have been provided for in the overall distribution of general and administrative expense hereinafter set forth.

### 1.3 Line Service Expense

The general intention is that services of this nature shall be handled by lessee for its own account and that lessee shall reimburse lessor for the reasonable expenses of any such work as may be agreed the lessor shall perform either directly or by a third party acting in its behalf. Line service shall be deemed to mean only routine line service, such as refueling, turn-around inspection, fire guard, aircraft cleaning, etc., and not emergency repairs or periodic checks or maintenance, such as are normally performed in the shops of the owner of the aircraft.

### 1.4 Passenger Service Expense

On through flights where lessor furnishes part of lessee's normal complement of cabin attendants, the lessor and lessee agree that the rental shall include a charge for each cabin attendant so furnished by the lessor. This charge shall represent the average available seat mile cost of National for salaries, travel expenses, training and supervision applicable to cabin attendants.

[fol. 2008] The cost of other passenger services to be furnished by lessor shall be based on the cost per available seat mile reported by National in Accounts 6343, "Other Services", 6352, "Passenger Supplies—Other", and 6353, "Other Supplies".

### 1.5 General and Administrative Expense

General and Administrative Expenses shall be determined by allocating the general and administrative expense of National on the basis of the labor cost reported in each account group.

Certain general and administrative expenses not related to the services performed are to be excluded as follows:

The amounts reported in accounts 6641, 6642, 6665, 6666, 6667 and 6672 shall be excluded in total.



The remaining general and administrative expenses shall be allocated on the basis of labor costs appearing in account groups 5100, 5200, 6100, 6200, 6300, 6400 and 6500. This proration shall be by type of equipment with respect to account groups 5100 and 5200. The total amount of general and administrative expenses allocated to the 6200 group shall be re-allocated to the 5200 group of accounts by type of equipment in accordance with the formula set fourth in paragraph 1.21 of this Financial Supplement.

### 1.6 Investments

In lieu of a return on the lessor's investment devoted to the interchange, the lessee shall maintain a cash deposit with lessor equivalent to the amount of the lessor's investment in flight equipment, including spares and working capital devoted to the interchange services up to twenty-one (21) flights per week over lessee's route (see paragraph 2 of the Interchange Agreement). The investment in complete aircraft units shall be determined on the basis of the lessor's cost of such aircraft units, except that in the case of DC-6B aircraft such investment shall be determined on the basis of present market value to be agreed upon between the lessor and the lessee, or, in the absence of agreement, by arbitration between them pursuant to the Interchange Agreement. The investment in spare engines, spare (fol. 2009) propellers and flight equipment spare parts and assemblies shall be an amount equal to 50% of the investment determined for the complete aircraft units. The amount of the lessor's investment in flight equipment, including spares, devoted to the interchange services shall be determined by multiplying the average investment per aircraft unit (computed separately for each type), including spares, by the number of units devoted to the interchange operation, less the depreciation paid by lessee pursuant to paragraph 1.13.

For the purpose of computing the investment devoted to the interchange, the number of aircraft units of each type upon which such investment shall be based for each quarter shall be determined by dividing the estimated average revenue hours to be flown per day with lessor's aircraft of such

type over lessee's routes under the Interchange Agreement during such quarter by National's average daily revenue hour utilization during the preceding twelve (12) months with its own equipment of the same type.

The lessee will provide an amount of working capital estimated at one month's cash expenses for the services performed over National's Route No. 31 under the Interchange Agreement, provided that, if the deposit is made by the lessee in cash, the lessor will deliver to the lessee a bond with a surety in such amount of working capital and under terms and conditions reasonably satisfactory to the lessee.

The cash deposit will be adjusted each quarter.

As evidence of the cash deposit by the lessee, the lessor will issue to the lessee its non-interest bearing note for the amount of the deposit computed as of the effective date of the Interchange Agreement, which the lessee may discount without recourse. The lessor will cooperate with the lessee to effect such discount. Such note shall be for a term of seven (7) years or the termination of the Interchange Agreement, whichever shall first occur, with twenty-eight (28) equal quarterly payments which will approximate the [fol. 2010] anticipated reduction of the deposit due to depreciation accruals.

In lieu of a cash deposit the lessee, at its option, may issue its note to lessor for all or any part of the amount of the deposit required pursuant to this paragraph 1.6. Such note shall be for a term of seven (7) years or the termination of the Interchange Agreement, whichever shall first occur, with twenty-eight (28) equal quarterly payments which will approximate the anticipated reduction of the deposit due to depreciation charges, with interest at such rate as will permit the lessor to discount, without recourse, such note at time of issuance at par.

Upon the quarterly redetermination of the deposit as provided in this paragraph 1.6 the lessor will (a) pay to the lessee the amount of any reduction in such deposit over the balance previously required if the lessee shall have on deposit with lessor cash to cover such deposit, or (b) in the

event lessor shall have issued its note or notes as evidence of such deposit, lessor shall apply such reduction first in payment of current amortization on such note or notes and any excess of such reduction over current amortization shall be applied as prepaid amortization of such note or notes in inverse order of maturities, or (c) if the lessee shall have issued its note or notes to the lessor in lieu of such deposit, then lessor shall pay any such reduction of the deposit to the lessee to be used for reduction of such note or notes. In the event of an increase in the required deposit, the lessee will either cover the additional amount required by a cash deposit with the lessor in which event lessor shall issue its note or notes, if lessee so elects, as evidence of such additional deposit with terms and conditions as above provided unless otherwise agreed, or, if lessee so elects, it may issue a note or notes in lieu of such additional deposit with terms and conditions as above provided unless otherwise agreed.

It is the intention of this paragraph 1.6 to give the lessee the election as to whether the deposit shall be made in cash or by its note so that the rate of interest to be paid by the lessee on any notes issued or discounted pursuant to this paragraph 1.6 shall not exceed the rate of interest at which [fol. 2011] the lessee can borrow money on the same terms and conditions.

#### 1.7 Sale of Aircraft

It is contemplated that initially five (5) DC-7Bs and five (5) DC-6Bs shall be devoted to the interchange service. In the event of (a) termination of the Interchange Agreement or (b) withdrawal of any type of aircraft operated in the interchange service, title to one aircraft out of each five aircraft to be operated in the interchange service shall pass to the lessee upon the following terms and conditions:

Payment by the lessee of the difference between the agreed value and the aggregate depreciation paid by the lessee to the lessor on the aircraft (excluding spares) of the type being sold. The agreed value shall be the lessor's cost of such aircraft except that in the case of the DC-6B type of aircraft presently being operated by the lessor, the agreed value shall be estab-

lished on the basis of the market value of such aircraft as of the effective date of the Interchange Agreement, established in accordance with the second sentence of paragraph 1.6 above. The lessor shall have the option forthwith (a) to repurchase at the then current market value or (b) to lease at a rental to be agreed upon, any aircraft sold to the lessee, except that in the case of such aircraft withdrawn from interchange service the lessor shall not have such options with respect to such aircraft sold to the lessee on which the lessee has paid in depreciation an amount equal to 90% of the agreed value of such aircraft as of the date title passes to lessee. In the absence of agreement on the above then current market value or rental, the same shall be determined by arbitration pursuant to the Interchange Agreement.

Title to such aircraft shall not pass to the lessee but shall remain in the lessor until termination of the Interchange Agreement or the withdrawal of the aircraft from [fol. 2012] the interchange service.

This paragraph 1.7 shall be subject to review and modification by mutual agreement, or, in the absence of such agreement, by arbitration pursuant to the Interchange Agreement, in the event any new type or additional aircraft are to be operated in the interchange service (except aircraft which may be required to replace any lost or damaged aircraft), with the understanding that upon such review a similar basis will be followed as was used above with respect to the five (5) DC-6Bs and the five (5) DC-7Bs referred to in this paragraph 1.7.

## 2. Billings and Base Periods

The payments provided for in this Financial Supplement shall be made within ten (10) days after invoice therefor shall be submitted to the party from which payment is due, which invoice shall be submitted monthly. Determination and billing of the rental of flight equipment and related equipment supplied to lessee by lessor pursuant to the Interchange Agreement for each year's period beginning

January 1 shall be based on National's cost for the year ended June 30 following. Pending determination of such costs based on National's final financial and operating reports to the Civil Aeronautics Board, interim billings may be made on an estimated basis at the rates in effect during the preceding period.

### 3. Review of Formula

The formula for determination of prices for services rendered under the Interchange Agreement may be reviewed at the request of either the lessor or the lessee made in writing at least fifteen (15) days before the expiration of any annual period. In the event of the making of any such request, the parties will promptly confer with a view to agreeing on such a readjustment, or, in the absence of agreement, by arbitration between them pursuant to the Interchange Agreement.

[fol. 2013] 4. It is hereby understood that this Financial Supplement is subject to paragraphs 1.3, 1.6 and 1.7 being reviewed and approved by National's General Counsel and that such Counsel shall state his views on or before August 10, 1955.

[fol. 2014]

## EXHIBIT B

### THROUGH FLIGHT AGREEMENT

#### SUPPLEMENT NO. 48

### RELATING TO INTERCHANGE AGREEMENT WITH NATIONAL AIRLINES, INCORPORATED

AGREEMENT made this 4th day of August, 1955, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York Corporation (hereinafter called "PAA"), and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware Corporation (hereinafter called "Panagra"):

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, and supplements thereto

numbered one through seventeen inclusive relating to the charter of Panagra's aircraft to PAA for through operation on certain of PAA's routes north of the Canal Zone and other matters, which agreements are hereinafter referred to as "the Through Flight Agreement"; and

WHEREAS, PAA and Panagra have entered into an agreement with National Airlines, Incorporated, a Florida corporation (hereinafter called "National"), dated as of the date hereof (hereinafter referred to as "the Interchange Agreement"); and

WHEREAS, the parties desire to supplement and amend the Through Flight Agreement as herein set forth.

NOW, THEREFORE, THE AGREEMENT WITNESSETH:

102. All recitals and paragraphs of Supplement No. 5 to the Through Flight Agreement are hereby deleted except paragraphs 49, 50, 51 (except for the first parenthetical insertion), 53 (except for the proviso to the last sentence of the amendment made therein), 54 (notwithstanding any provisions of paragraph 59 to the contrary), 57(e) (as modified by paragraph 71), and 57 (g).

103. The last sentence of paragraph 14 of the Through Flight Agreement as amended by paragraphs 51 and 102 [fol. 2015] above is amended to read as follows:

"PAA and Panagra will agree with each other (and with National if the Interchange Agreement shall become and be effective) in advance on appropriate advertising programs (including newspaper and magazine space, advertising and display pieces and collateral material) and budgets therefor, for promoting the through flights made pursuant to this Agreement, and the approved expense of all such advertising shall be apportioned among them as from time to time agreed, provided, however, that no charge shall be made for transporting advertising material to the most effective point of use."



104. For the term of the Interchange Agreement, Panagra's aircraft chartered to PAA pursuant to the Through Flight Agreement for through operation between the Canal Zone and Miami, Florida, shall, except as the Civil Aeronautics Board may otherwise permit, be further chartered to National for through operation by National upon the specific terms and conditions set forth in the Interchange Agreement.

105. Panagra hereby constitutes and appoints PAA as Panagra's agent, for the term during which the Through Flight Agreement and the Interchange Agreement shall be simultaneously in effect, to deliver Panagra's aircraft to National at Miami, for the purpose of flights over National's route pursuant to the said agreement and to receive delivery of Panagra's aircraft from National at Miami. PAA is authorized as such agent, on Panagra's behalf, to receive and execute such receipts, to perform such inspections, to make such checks and measurements, and to perform all such other acts as may be necessary or appropriate in connection with the delivery or return of the said aircraft. In acting as such agent with respect to the delivery of Panagra's aircraft to National and the return of Panagra's aircraft by National at Miami, PAA shall be bound to exercise the same and only the same degree of care as PAA exercises with respect to the delivery and return of its own aircraft under similar circumstances.

[fol. 2016] 106. The second sentence of paragraph 15(a) of the Through Flight Agreement as amended is further amended to read as follows:

"PAA shall be deemed to be in possession of Panagra's aircraft (1) in the case of aircraft turned over to PAA for operation on through flights under this agreement, from the time when such aircraft is so turned over to PAA by Panagra until the time when such aircraft is either (i) returned by PAA to Panagra or (ii) turned over by PAA to National for operation by National pursuant to the Interchange Agreement, in which event the aircraft shall again be deemed

to be in PAA's possession when returned to it by National, and (2) in the case of aircraft turned over to PAA for maintenance, from the time when such aircraft is turned over to PAA at one of the latter's maintenance bases until the time when such aircraft is returned to Panagra, or until it is turned over by PAA to National as provided above; except, in either case, for non-revenue or other special flights (excluding test flights made under PAA custody following maintenance and according to CAA requirements) during such period made at the instance and request of Panagra."

107. Paragraph 17(h) of the Through Flight Agreement (added by paragraph 34 of Supplement No. 2) is amended by adding the following at the end thereof: "and in the case of mileage flown over the route of National pursuant to the Interchange Agreement will be those effective as shown in the "Civil Aeronautics Board Official Airline Route and Mileage Manual" and in any revisions thereof.

108. Paragraph 23(e) of the Through Flight Agreement is amended by adding at the end thereof the words: "and the delivery of possession of Panagra's aircraft to National and the return of such possession from National pursuant to the Interchange Agreement."

109. (a) All reference in Annex 1A to the Through Flight Agreement to "the charter service" shall refer only to the charter service operated by PAA pursuant to said Agreement. All references in said Annex 1A to the total [fol. 2017] revenue miles flown by Panagra's aircraft or to a revenue mile basis shall include revenue miles flown by such aircraft pursuant to the Interchange Agreement, except that (i) in those instances where the expenses to be prorated under paragraph 1 of Annex 1A are not related to the miles flown by Panagra aircraft under the Interchange Agreement shall be omitted, and (ii) in those instances where the expenses to be prorated under paragraph 1 of Annex 1A are only partially related to the miles flown by Panagra aircraft under the Interchange Agreement, the

mileage under the Interchange Agreement shall be included on an appropriately weighted basis.

(b) Paragraph 1A1(1) of said Annex 1A is amended by adding at the end thereof the following: "and Panagra will cause National to advise Panagra at the close of each month of the total gallonage delivered by National to Panagra's aircraft, classified by aircraft types, under the Interchange Agreement."

(c) The last sentence of paragraph 1A3 of said Annex 1A is amended to read as follows:

"If it shall appear that major items of cost recorded in such accounts are applicable only to the charter service or to Panagra's common carrier service or to the charter service operated pursuant to the Interchange Agreement, provision will be made for removing such costs from allocation and charging such costs directly to the service to which they relate."

(d) The parenthetical phrases in paragraphs 1A3 and 1B of said Annex 1A now reading: ("except for credits arising out of charges to PAA") are amended to read ("except for credits arising out of charges to PAA and of charges to National").

(e) The last sentence of paragraphs 2B and 2C of said Annex 1A are amended by adding at the end the words:

[fol. 2018] "plus 20% of the available ton miles flown in the charter service operated pursuant to the Interchange Agreement."

110. Paragraph 102 of this Supplement No. 18 shall be effective immediately. The remainder of this Supplement No. 18 shall become effective only in the event that the Interchange Agreement shall become effective and upon the making of an order by the Civil Aeronautics Board approving the Through Flight Agreement as herein modified, and shall remain in effect so long as the Interchange Agreement and the Through Flight Agreement shall remain simultaneously in effect.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their officers thereunto duly authorized on the day and year first above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

[fol. 2019]

### CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that a copy of the foregoing application has this day been served upon all counsel who have appeared in the Reopened New York-Balboa Through Service Proceeding, Docket No. 4882, by mailing to each of them a copy thereof properly addressed, postage prepaid, dated at Washington, D. C. this 4th day of August, 1955.

/s/ JOHN C. PIRIE  
John C. Pirie

[fol. 2020]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 27

Exhibit 1

### SUPPLEMENT NO. 1 TO EQUIPMENT INTERCHANGE AGREEMENT

This Supplemental Agreement made this 9th day of August, 1955 between NATIONAL AIRLINES, INCORPORATED, a corporation organized and existing under the laws of the State of Florida (hereinafter referred to as "National"), PAN AMERICAN WORLD AIRWAYS, INC., a corporation organized and existing under the laws of the State of New York (hereinafter referred to as "Pan

American"), and PAN AMERICAN GRACE AIRWAYS, INC., a corporation organized and existing under the laws of the State of Delaware (hereinafter referred to as "Panagra");

**WITNESSETH:**

WHEREAS, National, Pan American and Panagra entered into an Equipment Interchange Agreement, dated August 4, 1953, hereinafter referred to as the "Equipment Interchange Agreement"; and

WHEREAS, the parties desire to amend the Financial Supplement to the Equipment Interchange Agreement as hereinafter provided:

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto do hereby agree that the financial supplement attached to and made a part of the Equipment Interchange Agreement is hereby amended in accordance with the financial supplement attached hereto, marked "Revision No. 1, dated August 9, 1955," and made a part hereof.

IN WITNESS WHEREOF the parties hereto have executed these premises as of the day and year first above written,

NATIONAL AIRLINES, INCORPORATED

By /s/ ALEXANDER G. HARDY  
Senior Vice President

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LEBLIE  
Vice President

PAN AMERICAN GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

[fol. 2022]

Revision No. 1

Dated August 9, 1955

FINANCIAL SUPPLEMENT TO THE INTERCHANGE  
AGREEMENT BETWEEN NATIONAL AIRLINES  
INCORPORATED, PAN AMERICAN WORLD AIR  
WAYS, INC. AND PAN AMERICAN-  
GRACE AIRWAYS, INC.

1. Formula for Determination of Costs.\*

Costs of flight equipment and related services supplied to lessee by lessor pursuant to the Interchange Agreement will be determined separately by type of flight equipment and services relating thereto and shall be based upon National's costs per available seat mile for operating the same type of flight equipment in the same type of service (for this purpose the Douglas DC-7 and DC-7 shall be considered as the same type of equipment). The available seat miles shall be computed by multiplying the revenue miles flown by the seats installed in the various types of aircraft by type of service after excluding seats reserved for crew use. Should National's accounting practices, company procedures or the introduction of new types of equipment seriously distort its costs, any cost so affected shall be adjusted to reflect a normal cost level. Any abnormal costs of introducing new types of aircraft or other abnormal costs which benefit subsequent periods, which are removed from current costs, shall be amortized over a reasonable period for purposes of this contract. This general formula for cost ascertainment shall be subject to the following agreed limitations and determinations:

1.1 Direct Flight Costs :

1.11 Flying Operations—Flying operations expense shall be determined as stated above except as follows:

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\* All references to account numbers are to the Civil Aeronautics Board's Uniform System of Accounts for Air Carriers presently in effect. If any revision is made in such Uniform System of Accounts, this Financial Supplement will be revised accordingly, it being understood, however, that the same elements of cost shall be included in the determinations hereunder.



(1) **Flight Crew Salaries and Expenses**—Should the flight crews of either the lessor or the lessee be used on the routes of the other party pursuant to paragraph 1(a) of the Interchange Agreement [fol. 2023], ment; a separate charge will be made based on the available seat mile cost of National for salaries, traveling, training and supervision expenses and general administrative expenses applicable to flight crew salaries.

(2) **Gasoline and Gasoline Taxes**—The cost of these items shall be based on average consumption per revenue flight hour, including gas consumed in taxiing and run-up time, at average gasoline prices for each month, for the type of fuel used at the various points at which gasoline is delivered to aircraft leased, said prices to include any outside costs incurred in connection with fueling, converted to an available seat mile cost for each type of flight equipment operated in the Interchange Services. The average consumption per hour for each type of flight equipment shall be determined by actual measurement of fuel used on the first fifteen round trip flights on each schedule. The hourly consumption shall be increased by lessee's experience percentage of non-revenue to revenue hours to include non-revenue flying. The figure thus arrived at shall continue to apply except that either the lessor or the lessee may request a revision at any time whereupon a new measurement shall be made on the next fifteen flights on each schedule and a new average consumption per hour converted to an available seat mile shall be determined on the basis of such measurement.

[fol. 2024] (3) **Oil, ADI fluid and Related Taxes**—The average actual cost of these items per available seat mile flown in the Interchange Services by type of flight equipment shall be used.

(4) **Gasoline, oil, ADI fluid and related taxes** supplied by the lessee shall be for the account of the lessor.

**1.12 Direct Maintenance—Flight Equipment—**The available seat mile cost of National for the same type of flight equipment in the same type service shall be used. In the event that it can be determined that overhaul reserves provided by National are either excessive or insufficient, the reserve provision shall be adjusted to reflect the cost level which may reasonably be anticipated.

**1.13 Flight Equipment Depreciation—**Depreciation expense shall be based upon National's cost per available seat mile for the same type of flight equipment in the same type of service except that if reported costs of aircraft and engines are based upon a life different than 7 years and 10% residual values the reported costs shall be adjusted to a 7-year basis and 10% residual values in making this determination. In the event that National's reported depreciation expense is distorted by the use of fully-depreciated flight equipment, appropriate adjustment will be made in this expense to reflect the normal level of costs.

**1.21 Ground and Indirect Maintenance—**This element of expense shall be determined by applying to National's direct labor cost per available seat mile by type of equipment in the same type of service National's overhead rate in relation to direct labor used in the maintenance of all types of flight equipment. The lessor and lessee have estimated that 25% of the [fol. 2025] direct labor and direct materials used in connection with ground maintenance included in Accounts 6227 and 6248 relate to maintenance of ground equipment not used in connection with the shop facilities. It is mutually agreed between the lessor and the lessee that such percentage will be subject to revision from time to time as studies of National's accounts may indicate as being appropriate. Therefore, 25% of the total of these two accounts shall be excluded and the formula for determining the overhead rate for this portion of the shop burden shall be as follows:

$$\begin{array}{l} \text{Total 6200 expense—25\% of} \\ \text{Accounts 6227 and 6248} \\ \hline \text{Accounts 5225 + 5226 + 5227} = \text{Burden rate} \\ + 25\% \text{ of 6227} \end{array}$$

In computing the burden rate under the formula above, the expenditure of National in the accounts referred to in the numerator and denominator shall be gross before 80 account credits or direct credit transfers of expenses.

- 1.22 Depreciation—The lessor and the lessee estimate that 18% of all ground equipment depreciation relates to the shop facilities used in the maintenance of flight equipment. It is mutually agreed that such percentage will be subject to revision from time to time as studies of National's accounts may indicate as being appropriate. Therefore, this portion of the ground equipment depreciation of National shall be computed as an overhead item against direct labor used in flight equipment maintenance as follows:

$$\begin{array}{l} \text{18\% of Ground Equipment} \\ \text{Depreciation} \\ \hline \text{Accounts 5225 + 5226 + 5227} = \text{Burden rate} \\ + 25\% \text{ of 6227} \end{array}$$

The cost to be used in the accounts in the numerator and denominator of the above formula shall be gross before 80 account credits or direct credit transfers of expenses.

- [fol. 2026] 1.23 General and Administrative Expense—Various items of expense in this category related to flight equipment maintenance have been provided for in the overall distribution of general and administrative expense hereinafter set forth.

### 1.3 Line Service Expense

The general intention is that services of this nature shall be handled by lessee for its own account and that lessee shall reimburse lesser for the reasonable expenses of any such work as may be agreed the

lessor shall perform either directly or by a third party acting in its behalf. Line service shall be deemed to mean only routine line service, such as refueling, turn-around inspection, fire guard, aircraft cleaning, etc., and not emergency repairs or periodic checks or maintenance, such as are normally performed in the shops of the owner of the aircraft.

#### 1.4 Passenger Service Expense

On through flights where lessor furnishes part of lessee's normal complement of cabin attendants, the lessor and lessee agree that the rental shall include a charge for each cabin attendant so furnished by the lessor. This charge shall represent the average available seat mile cost of National for salaries, travel expenses, training and supervision applicable to cabin attendants.

[fol. 2027] The cost of other passenger services to be furnished by lessor shall be based on the cost per available seat mile reported by National in Accounts 6343, "Other Services", 6352, "Passenger Supplies—Other", and 6353, "Other Supplies".

#### 1.5 General and Administrative Expense

General and Administrative Expenses shall be determined by allocating the general and administrative expense of National on the basis of the labor cost reported in each account group.

Certain general and administrative expenses not related to the services performed are to be excluded as follows:

The amounts reported in accounts 6641, 6642, 6665, 6666, 6667 and 6672 shall be excluded in total.

The remaining general and administrative expenses shall be allocated on the basis of labor costs appearing in account groups 5100, 5200, 6100, 6200, 6300, 6400 and 6500. This proration shall be by type of equipment with respect to account groups 5100 and 5200. The total amount of general and administrative expense allocated to the 6200 group

shall be re-allocated to the 5200 group of accounts by type of equipment in accordance with the formula set forth in paragraph 1.21 of this Financial Supplement.

#### 1.6 Investment

In lieu of a return on the lessor's investment devoted to the interchange, the lessee shall maintain a cash deposit with lessor equivalent to the amount of the lessor's investment in flight equipment, including spares and working capital devoted to the interchange services up to twenty-one (21) flights per week over lessee's route (see paragraph 2 of the Interchange Agreement). The investment in complete aircraft units shall be determined on the basis of the lessor's cost of such aircraft units except that in the case of DC-6B aircraft such investment shall be determined on the basis of present market value to be agreed upon between the lessor and the lessee, or, in the absence of agreement, by arbitration between them pursuant to the Interchange Agreement. The investment in spare engines, spare [fol. 2028] propellers and flight equipment spare parts and assemblies shall be an amount equal to 30% of the investment determined for the complete aircraft units. The amount of the lessor's investment in flight equipment, including spares, devoted to the interchange services shall be determined by multiplying the average investment per aircraft unit (computed separately for each type), including spares, by the number of units devoted to the interchange operation, less the depreciation paid by lessee pursuant to paragraph 1.13.

For the purpose of computing the investment devoted to the interchange, the number of aircraft units of each type upon which such investment shall be based for each quarter shall be determined by dividing the estimated average revenue hours to be flown per day with lessor's aircraft of such type over lessee's routes under the Interchange Agreement during such quarter by National's average daily revenue hour utilization during the preceding twelve (12) months with its own equipment of the same type.

The lessee will provide an amount of working capital estimated at one month's cash expenses for the services per-

formed over National's Route No. 31 under the Interchange Agreement, provided that, if the deposit is made by the lessee in cash, the lessor will deliver to the lessee a bond with a surety in such amount of working capital and under terms and conditions reasonably satisfactory to the lessee.

The cash deposit will be adjusted each quarter.

As evidence of the cash deposit by the lessee, the lessor will issue to the lessee its non-interest bearing note for the amount of the deposit computed as of the effective date of the Interchange Agreement, with such reasonable terms and conditions as will enable the lessee to discount such note without recourse. The lessor will cooperate with the lessee to effect such discount. Such note shall be for a term of seven (7) years or the termination of the Interchange Agreement, whichever shall first occur, with twenty-eight (28) equal quarterly payments which will approximate the [fol. 2029] anticipated reduction of the deposit due to depreciation accrual.

In lieu of a cash deposit the lessee, at its option, may issue its note to lessor for all or any part of the amount of the deposit required pursuant to this paragraph 1.6. Such note shall be for a term of seven (7) years or the termination of the Interchange Agreement, whichever shall first occur, with twenty-eight (28) equal quarterly payments which will approximate the anticipated reduction of the deposit due to depreciation charges, with interest at such rate as will permit the lessor to discount, without recourse such note at time of issuance at par.

Upon the quarterly redetermination of the deposit as provided in this paragraph 1.6 the lessor will (a) pay to the lessee the amount of any reduction in such deposit over the balance previously required if the lessee shall have on deposit with lessor cash to cover such deposit, or (b) in the event lessor shall have issued its note or notes as evidence of such deposit, lessor shall apply such reduction first in payment of current amortization on such note or notes and any excess of such reduction over current amortization shall be applied as prepaid amortization of such note or notes in inverse order of maturities, or (c) if the lessee shall



have issued its note or notes to the lessor in lieu of such deposit, then lessor shall pay any such reduction of the deposit to the lessee to be used for reduction of such note or notes. In the event of an increase in the required deposit, the lessee will either cover the additional amount required by a cash deposit with the lessor in which event lessor shall issue its note or notes, if lessee so elects, as evidence of such additional deposit with terms and conditions as above provided unless otherwise agreed, or, if lessee so elects, it may issue a note or notes in lieu of such additional deposit with terms and conditions as above provided unless otherwise agreed.

It is the intention of this paragraph 1.6 to give the lessee the election as to whether the deposit shall be made in cash or by its note so that the rate of interest to be paid by the lessee on any notes issued or discounted pursuant to this paragraph 1.6 shall not exceed the rate of interest at which the lessee can borrow money on the same terms and [fol. 2030] conditions.

### 1.7 Sale of Aircraft

It is contemplated that initially five (5) DC-7Bs and five (5) DC-6Bs shall be devoted to the interchange service. In the event of (a) termination of the Interchange Agreement pursuant to paragraph 20 of the Interchange Agreement or (b) withdrawal of any type of aircraft operated in the interchange service, title to one aircraft to be designated by mutual agreement as of the effective date of the Interchange Agreement out of each five aircraft to be operated in the interchange service shall pass to the lessee upon the following terms and conditions:

The lessee shall pay the lessor the difference between the agreed value of the designated aircraft and the aggregate depreciation paid by the lessee to lessor on the aircraft (excluding spares) of the type involved. The agreed value shall be the lessor's cost of such designated aircraft except that in the case of the DC-6B type of aircraft presently being operated by the lessor, the agreed value shall be established on the basis of the market value of such designated aircraft as of the

effective date of the Interchange Agreement, established in accordance with the second sentence of paragraph 1.6 above. The lessor shall have the option forthwith (a) to purchase at the then current market value or (b) to lease for a period not to exceed eighteen (18) months, unless otherwise agreed, at a rental to be agreed upon, any such designated aircraft sold to the lessee, except that in the case of such designated aircraft withdrawn from the interchange service the lessor shall not have such options with respect to such designated aircraft sold to the lessee on which the lessee has paid in depreciation an amount equal to 90% of the agreed value of such designated aircraft as of the date title passes to the lessee. In the absence of agreement on the above then current market value or rental the same shall be determined by arbitration pursuant to the Interchange Agreement.

[fol. 2031] It is understood that the lessor shall have the right to substitute an aircraft of the same type and of substantially the same condition as the designated aircraft if the lessor is unable to deliver such designated aircraft because of loss, damage or other causes beyond the lessor's control. In such event the substituted aircraft shall become the designated aircraft for the purposes of this paragraph 1.7.

Title to the designated aircraft shall not pass to the lessee but shall remain in the lessor until termination of the Interchange Agreement or the withdrawal of the aircraft from the interchange service and payment of the full purchase price as prescribed above. Further, it is understood that wherever in the Interchange Agreement and this Financial Supplement the word "aircraft" is used, it shall include the designated aircraft.

This paragraph 1.7 shall be subject to review and modification by mutual agreement, or in the absence of such agreement, by arbitration pursuant to the Interchange Agreement, in the event any new type or additional aircraft are to be operated in the interchange service (except aircraft which may be required to replace any lost or damaged

aircraft), with the understanding that upon such review a similar basis will be followed as was used above with respect to the five (5) DC-6Bs and the five (5) DC-7Bs referred to in this paragraph 1.7.

[fol. 2032] 2. Billings and Base Periods

The payments provided for in this Financial Supplement shall be made within ten (10) days after invoice therefor shall be submitted to the party from which payment is due, which invoice shall be submitted monthly. Determination and billing of the rental of flight equipment and related equipment supplied to lessee by lessor pursuant to the Interchange Agreement for each year's period beginning January 1 shall be based on National's cost for the year ended June 30 following. Pending determination of such costs based on National's final financial and operating reports to the Civil Aeronautics Board, interim billings may be made on an estimated basis at the rates in effect during the preceding period.

3. Review of Formula

The formula for determination of prices for services rendered under the Interchange Agreement may be reviewed at the request of either the lessor or the lessee made in writing at least fifteen (15) days before the expiration of any annual period. In the event of the making of any such request, the parties will promptly confer with a view to agreeing on such a readjustment, or, in the absence of agreement, by arbitration between them pursuant to the Interchange Agreement.

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 28.

BEFORE THE  
CIVIL AERONAUTICS BOARD

---

Docket No. 4882 *et al.*

In the matter of the

REOPENED NEW YORK-BALBOA THROUGH SERVICE PROCEEDING

---

Docket No. 7341

In the matter of the

Application of National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. for approval of Equipment Interchange Agreement and Amendment to Through Flight Agreement under Section 412 of the Civil Aeronautics Act and, if deemed necessary, for approval under or exemption from Section 408 of the said Act.

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APPLICATION, AS AMENDED BY AMENDMENT NO. 1, OF NATIONAL AIRLINES, INCORPORATED, PAN AMERICAN WORLD AIRWAYS, INC., AND PAN AMERICAN-GRACE AIRWAYS, INC. FOR APPROVAL OF EQUIPMENT INTERCHANGE AGREEMENT AND AMENDMENT TO THROUGH FLIGHT AGREEMENT UNDER SECTION 412 OF THE CIVIL AERONAUTICS ACT AND, IF DEEMED NECESSARY, FOR APPROVAL UNDER OR EXEMPTION FROM SECTION 408 OF THE SAID ACT

Communications with respect to the above  
Application should be addressed to:

ALEXANDER G. HARDY,  
*Senior Vice President,*

NATIONAL AIRLINES, INCORPORATED,  
Wyatt Building,  
Washington, D. C.

HENRY J. FRIENDLY,  
*Vice President and General Counsel,*

PAN AMERICAN WORLD AIRWAYS, INC.,  
135 East 42nd Street,  
New York 17, N. Y.

DOUGLAS CAMPBELL,  
*Vice President and General Manager,*

PAN AMERICAN-GRACE AIRWAYS, INC.,  
135 East 42nd Street,  
New York 17, N. Y.

Dated: (August 4, 1955.  
(August 10, 1955 (Amendment No. 1)

[fol. 2034]

BEFORE THE  
CIVIL AERONAUTICS BOARD

---

Docket No. 4882 *et. al.*

In the matter of the

REOPENED NEW YORK-BALBOA THROUGH SERVICE PROCEEDING

---

Docket No. 7341

In the matter of the

Application of National Airlines, Incorporated, Pan American World Airways, Inc., and Pan American-Grace Airways, Inc. for approval of Equipment Interchange Agreement and Amendment to Through Flight Agreement under Section 412 of the Civil Aeronautics Act and, if deemed necessary, for approval under or exemption from Section 408 of the said Act.

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APPLICATION OF NATIONAL AIRLINES, INCORPORATED, PAN AMERICAN WORLD AIRWAYS, INC., AND PAN AMERICAN-GRACE AIRWAYS, INC. FOR APPROVAL OF EQUIPMENT INTERCHANGE AGREEMENT AND AMENDMENT TO THROUGH FLIGHT AGREEMENT UNDER SECTION 412 OF THE CIVIL AERONAUTICS ACT AND, IF DEEMED NECESSARY, FOR APPROVAL UNDER OR EXEMPTION, FROM SECTION 408 OF THE SAID ACT

The application of National Airlines, Incorporated (hereinafter referred to as "National"), Pan American World Airways, Inc. (hereinafter referred to as "Pan American") and Pan American-Grace Airways, Inc. (hereinafter referred to as "Panagra") respectfully shows to the Board as follows:



1. National, a Florida corporation, is the holder of a certificate of public convenience and necessity authorizing [fol. 2035] the transportation of persons, property and mail by air on Route No. 31 between New York, N. Y. and Miami, Florida, by various intermediate points.

2. Pan American, a New York corporation, is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail by air between Miami, Florida, and Balboa, Canal Zone, by various intermediate points.

3. Panagra, a Delaware corporation, is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail by air between the Canal Zone and points in South America.

4. National, Pan American and Panagra have entered into an Equipment Interchange Agreement for the provision of through-plane service between New York and Miami on National's route No. 31, Miami and Balboa on Pan American's Latin American route, and Balboa and points on Panagra's route, a copy of which is attached as Exhibit A.

5. Pan American and Panagra have entered into a supplement to the Through Flight Agreement between them dated July 30, 1946, as previously amended, heretofore approved by the Board, a copy of which Supplement is attached as Exhibit B.

6. The parties respectfully request: (1) that the Board approve, under Section 412 of the Civil Aeronautics Act, the Equipment Interchange Agreement, a copy of which is attached as Exhibit A, and the Through Flight Agreement as the same will be amended by the Supplement, a copy of which is attached as Exhibit B; and (2) that if the Board should deem that approval of either of said agreements under Section 408 of the said Act is required, [fol. 2036] that the Board grant such approval or, if the Board considers that a further hearing would be necessary to that end, that the Board exempt the parties from the requirements of Section 408 of the Civil Aeronautics Act

insofar as required to permit the said agreements to become effective.

Respectfully submitted,

NATIONAL AIRLINES, INCORPORATED

By /s/ ALEXANDER G. HARDY  
*Senior Vice President*

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
*Vice President*

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
*Vice President*

Dated: August 4, 1955

[fol. 2037]

## EXHIBIT A

### *Equipment Interchange Agreement*

#### *As Amended By Supplement No. 1*

THIS EQUIPMENT INTERCHANGE AGREEMENT, made this 4th day of August, 1955, between NATIONAL AIRLINES, INCORPORATED, a corporation organized and existing under the laws of the State of Florida (hereinafter referred to as "National"), PAN AMERICAN WORLD AIRWAYS, INC., a corporation organized and existing under the laws of the State of New York (hereinafter referred to as "Pan American"), and PAN AMERICAN-GRACE AIRWAYS, INC., a corporation organized and existing under the laws of the State of Delaware (hereinafter referred to as "Panagra"):

### WITNESSETH:

I. WHEREAS, National is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail between New York, N. Y. and Miami, Florida (such route being sometimes

hereinafter referred to as "the New York-Miami route" or "the Miami-New York route") by various intermediate points;

II. WHEREAS, Pan American is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail between Miami, Florida and Balboa, C. Z. (Ancon, C. Z. or Panama City, Panama) by various intermediate points; and

III. WHEREAS, Panagra is the holder of a certificate of public convenience and necessity authorizing the transportation of persons, property and mail between the Canal Zone and points in South America; and

[fol. 2038] IV. WHEREAS, Pan American is a party to an agreement dated July 30, 1946 with Panagra which has been supplemented by various further agreements (the said agreement as so supplemented being hereinafter called "the Through Flight Agreement"), whereby Pan American agrees to charter, as set forth in said agreement, certain aircraft of Panagra for through operation for and to Panagra's northern terminus at Balboa over certain routes or proposed routes of Pan American specified in such agreement, including Pan American's route between Balboa and Miami referred to in recital II; and

V. WHEREAS, concurrently herewith, Pan American and Panagra are executing a modification of the Through Flight Agreement providing that, for the term of this Agreement, unless the Board may otherwise permit, all flights operated under the Through Flight Agreement shall be through flights to and from New York operated between Miami and New York over the route of National, and making further provision whereby the aircraft of Panagra chartered to Pan American pursuant to the Through Flight Agreement for through operation by Pan American between the Canal Zone and Miami may be leased to National in accordance with this Agreement; and

VI. WHEREAS, in view of the substantial number of persons and the substantial quantity of property and mail

carried by connecting service between points on National's Route No. 31, on Pan American's Miami-Balboa route and on Panagra's route, National, Pan American and Panagra consider it in the public interest to furnish through-plane service to accommodate this traffic as hereinafter provided.

NOW, THEREFORE, in consideration of the premises, it is agreed as follows:

[fol. 2039]

1. *Lease of Aircraft*

(a) National will lease Panagra aircraft (including cargo only aircraft) operated by Pan American from Balboa into Miami under the Through Flight Agreement, for through operation from Miami to New York and intermediate points on National's Route 31 and for return operation to Miami and thence to Balboa and beyond. Also, as provided in paragraph 2(b) of this agreement, Pan American and Panagra, respectively, will lease National aircraft including cargo only aircraft, operated by National from New York to Miami for through operation over Pan American's route to Balboa and Panagra's route beyond and for return operation to Miami and thence to New York. The terms of the lease of National aircraft shall be agreed at an appropriate time and set forth in a supplement to this Agreement.

(b) The lease of Panagra aircraft shall become effective upon the delivery of the aircraft to National at National's loading ramps at Miami by Pan American as agent for Panagra, and the delivery by National of a receipt for such aircraft in a form to be agreed upon, and shall terminate upon delivery by National of the aircraft to Pan American as agent for Panagra at Pan American's loading ramps at Miami and the delivery to National of a similar receipt. The parties shall designate certain persons or certain classifications of employees who shall have authority to make and accept delivery of aircraft and to execute, deliver and accept receipts therefor on behalf of the parties, respectively. All line service work while Panagra aircraft are under lease will be performed by the lessee, it being understood that National at Miami will only be re-

sponsible therefor on northbound through flights. In the event that for any reason an aircraft engaged in operations [fol. 2040] under this Agreement is required to bypass or overfly Miami, the lease shall become effective or shall terminate as the case may be, when such aircraft reaches 25 degrees, 49 minutes, North, or at such other time as may be agreed upon.

(c) Panagra aircraft may be withdrawn from lease at any time because of mechanical defects or when such withdrawal will not unreasonably interfere with the operation of a through flight. In the case of any such withdrawal, the lessor shall substitute another aircraft of the same or comparable type with, substantially comparable seating capacity, if such aircraft is available, in time to enable the operation of any flight which otherwise would have been performed with the withdrawn aircraft. Receipts conforming to those to be given at the time of the regular lease and the return of aircraft under subsection (b) shall be executed by authorized personnel at the time of any such withdrawal or substitution.

(d) The route in the continental United States over which through flights are to be operated under this Agreement shall be National's Route No. 31 between Miami and New York, except that stops shall be made at Washington if agreed between Panagra and National, or if agreed between Pan American and National, provided, however, that such stops shall not be on such a number of schedules as would prejudice the purpose of this Agreement to provide through service between New York, Miami, the Canal Zone and points on Panagra's route in South America, and stops shall be made at other intermediate points on National's Route No. 31 as mutually agreed upon between the parties. If National's Miami-New York route shall be extended to any points beyond New York, any or all such flights may be operated thereto by mutual agreement.

[fol. 2041]

## 2. *Number and Nature of Through Flights and Schedules*

(a) The parties agree that upon this Agreement becoming effective, National will immediately operate between

Miami and New York with Panagra aircraft operated between the Canal Zone and Miami under charter to Pan American pursuant to the Through Flight Agreement, at a frequency of two round trips per day, one of which will be the "El InterAmericano" first-class flight, and the other will be the "El Pacifico" tourist-class flight.

(b) National will operate additional flights between Miami and New York with Panagra aircraft operated between the Canal Zone and Miami under charter to Pan American pursuant to the Through Flight Agreement, provided that National agrees that such additional flights are reasonably required for the convenient handling of through traffic and provided further that if the number of through flights operated under this Agreement shall exceed twenty-one (21) per week, National shall have the option to furnish the necessary additional equipment for such flights in excess of twenty-one (21) in the ratio of the mileage flown over National's Route No. 31 on said additional flights to the total through flight mileage over which said additional flights in excess of twenty-one (21) flights weekly are operated.

(c) In addition to and apart from the above, whenever the parties determine that scheduled cargo-only flights are required for the convenient handling of through cargo traffic, the necessary schedules and equipment to be used on such cargo service will be mutually agreed upon.

(d) The parties will consult from time to time with a view to fixing the schedules of the through flights being operated pursuant to this Agreement in such manner as [fol. 2042] to provide the most convenient and advantageous schedules for the benefit of such through traffic, with due consideration to the need for adequate loads of both domestic and international traffic to provide load factors which will permit the continued operation of such schedules and will provide economical and efficient utilization of the aircraft. Nothing in this paragraph shall in any wise affect the obligations of Pan American to Panagra under paragraph 4(a) of the Through Flight Agreement.



(e) If experience shall demonstrate that the load factors (including both domestic and international through traffic) on the through flights operated pursuant to this Agreement shall be inadequate, the parties shall take appropriate action to increase such load factors through reduction or adjustment of their schedules or otherwise. It is the intention of the parties that within the limitations which may be necessary by reason of the operations under the Through Flight Agreement and this Agreement, through flight schedules and turn-arounds shall be arranged to assure maximum utilization of aircraft leased pursuant to this Agreement, and each party shall exercise due diligence in delivering or redelivering such aircraft.

(f) In routing and selling local and way-to-way traffic, none of the parties shall discriminate in favor of flights not operated pursuant to this Agreement and the parties shall be under a continuing obligation to use their best efforts to develop economic load factors on all flights operated pursuant to this Agreement.

(g) The parties will instruct their respective personnel to cooperate in arranging and adjusting from time to time as occasion may arise reasonable and sound procedures [fol. 2043] for meeting traffic and operating problems that may arise in respect of any particular flight by reason of through flights arriving at Miami northbound or southbound unduly delayed. Due consideration shall be given in this connection to the purpose of this Agreement to provide through plane service for traffic between points on National's Route No. 31 and on Pan American's Miami-Balboa route and points on Panagra's route. Pan American shall give National immediate notice whenever aircraft scheduled to arrive in Miami northbound are to be unduly delayed, and thereafter, in order to accommodate National's Miami-New York traffic, at National's request, another aircraft will be substituted if such aircraft is available at Miami for operation of the scheduled flight to New York and return. It is the intention of the parties that in case of such substitution, or of operation by National of its own aircraft in lieu of the delayed aircraft, the delayed aircraft shall be operated through to New York when agreed to by the oper-

ations personnel of Panagra or Pan American and National. The parties agree to adjust their schedules or to make other appropriate arrangements if after a reasonable trial period National's Miami-New York traffic is unduly inconvenienced by reason of delays in the arrival of interchange aircraft. It is intended that the parties will exercise the same degree of diligence and effort in maintaining schedules to be operated pursuant to this Agreement as each party customarily exercises in operations over its own routes.

### 3. *Aircraft and Crews to be Operated under Agreement*

(a) Panagra's aircraft operated pursuant to this Agreement over National's Route No. 31 shall, subject to agreement with the authorized representative of National's [fol. 2044] cabin attendants, be operated with Panagra cabin attendants except that there shall be one National cabin attendant, provided, however, that when such cabin attendants are to be in excess of National's normal complement of cabin attendants, for the same class of service, the additional cost shall be defrayed by Panagra. Panagra aircraft shall be operated with the pilots and flight engineers of National on National's Route No. 31 except that with respect to flights which, for operating or other reasons, do not land at Miami, the flight crew then operating the aircraft shall proceed to an appropriate alternate airport. All aircraft operated under this Agreement shall be properly licensed for operation over the routes, and all flight personnel on such aircraft shall be fully licensed and/or qualified for such operation. The parties will furnish each other with all data which may be required for the inclusion of their aircraft and flight personnel as specified in the others' Air Carrier Operating Certificates.

(b) The aircraft which shall be tendered pursuant to this Agreement shall be of a modern type capable of carrying on the services herein contemplated a reasonable load at competitive speeds, and with accommodations and comfort-level measured in the light of the aircraft types currently being operated over the Miami-New York route.

(c) The lessee shall have a right to inspect any aircraft tendered for operation pursuant to this Agreement before

accepting same and may refuse to operate any aircraft tendered which is not in satisfactory operating condition, subject only to customary line service, in the light of regulations of the Civil Aeronautics Administration and prevailing airline standards..

[fol. 2045]

#### 4. *Responsibility for Operations*

The lessee shall have full responsibility for and control over the operation of leased aircraft over its route while under lease to it as provided in this Agreement. The lessee's responsibility for such operation, without limiting the generality of the foregoing, shall include responsibility for and performance of operations dispatch, flight-plan clearance, radio plane guard and in-flight instructions, all communications, navigation and weather facilities and services, all loading and discharge of airplanes, all handling of traffic and passenger service, all necessary airplane and engine inspection and on-line and turn-about maintenance service, and all emergency maintenance to the extent necessary or appropriate for the safety or preservation of the aircraft or to the extent requested by the lessor, provided that the lessee shall not be obligated to perform emergency maintenance at the lessor's request unless it has personnel and facilities capable of performing such emergency maintenance at the point where the aircraft is located. The lessee undertakes to furnish in connection with such operations adequate and efficient ground facilities and personnel to conduct such operations in accordance with approved and modern standards which shall in no event be lower than those provided in the case of its own aircraft, and to treat the lessor's aircraft on a basis of complete equality with its own aircraft.

#### 5. *Traffic*

(a) The parties shall book and route through traffic between points on National's Route No. 31 and the Canal Zone and Panama on Pan American's route and points beyond on Panagra's route in South America via Panagra aircraft to the fullest extent practicable, provided that

[fol. 2046] nothing herein contained shall be deemed to restrict the parties from operating through or connecting flights with each other or with any other carrier and routing traffic via such flights where a substantial improvement of service to the passenger or shipper would result.

(b) In order to assure that through traffic will be handled at maximum efficiency it is agreed that in the case of all northbound and southbound through flights operated over National's route, Panagra, and, subject to Panagra's reasonable requirements, Pan American, shall, from time to time, request National to block off until a reasonable time prior to departure a specific number of seats and a designated amount of mail and cargo capacity which will be designed to accommodate the through traffic reasonably expected, and shall themselves block off for the through flights on their own route a number of seats and an amount of mail and cargo capacity reasonably related to the seats and amount of capacity which they shall have requested National to block off, and the parties shall arrange their reservations control accordingly. If experience over a reasonable time indicates that the seats or capacity so blocked off unduly exceed the through traffic actually carried, the parties shall take appropriate action to prevent nonutilization of capacity, with due regard, however, for the requirements of the through traffic. Subject to the foregoing, it is the intention of this Agreement that the parties will route local and way-to-way traffic on the interchange aircraft in the same manner as on schedules operated with their own aircraft.

#### 6. *Sales, Advertising and Publicity*

(a) The parties shall cooperate and shall use their best efforts to promote and develop traffic to be carried on [fol. 2047] through flights operated under this Agreement. The parties will advertise and otherwise publicize that through plane service is afforded over National's, Pan American's, and Panagra's routes between points on National's Route No. 31 in the northeastern United States and the Canal Zone and Panama and points on Panagra's route in South America. The parties hereto will agree in advance

with each other on appropriate advertising programs (including newspaper and magazine space, advertising and display pieces and collateral material) and budgets therefor, for promoting the through flights made pursuant to this Agreement and the approved expense of all such advertising shall be apportioned among them as from time to time agreed, provided, however, that no charge shall be made for transporting advertising material to the most effective point in use.

(b) National will cause the names of Pan American World Airways, Inc. and Pan American-Grace Airways, Inc., and, if Panagra shall so request, the name "Panagra", in such size and form as the parties may agree and the Pan American and Panagra insignia to be displayed on traffic counters at all airports and sales offices, including city ticket offices, at points in the continental United States (other than Miami) at which Panagra aircraft are operated under lease to National pursuant to this Agreement. At any airport in the continental United States at which Panagra aircraft may be operated under this Agreement Pan American and/or Panagra may, at their expense, if they determine the same to be necessary or desirable, station a reasonable number of personnel who, without interfering with National's procedures, may assist in accommodating through traffic arriving from or departing to points on their respective certificated routes, it being understood that Pan American and Panagra will arrange between [fol. 2048] themselves to avoid duplication of such personnel. Persons so employed shall have access to National's space and facilities at such airports at National's absolute discretion.

(c) Pan American and Panagra will cause the name National Airlines, Inc. in such size and form as the parties may agree and the National insignia to be displayed on traffic counters at all airports and sales offices, including city ticket offices, at points outside the continental United States to which Panagra aircraft are operated.

(d) Panagra, acting through Pan American as Panagra's General Traffic and Sales Agent in the United States, and



Pan American may from time to time indicate to National reasonable methods and procedures which they desire to have established by National in connection with the selling, handling or servicing of traffic originating on or to be carried over their routes and National will put such methods and procedures into effect if agreed by it. The parties agree to furnish each other with periodic reports concerning the traffic sold to and from points on their respective routes in such reasonable detail and such form as shall be requested and mutually agreed.

(e) The name of the lessor, in such form as the lessor may determine, and its insignia shall appear on the exterior of all airplanes leased under this Agreement in addition to an appropriate statement inside the airplane informing the public that the airplane is the lessor's airplane under lease to the lessee.

#### *7. Liability to Third Parties and Insurance*

(a) The lessee will indemnify the lessor and hold it harmless in respect of any liability (other than to the lessor's flight crews and cabin attendants, if any, engaged [fol. 2049] in the operation of the lessor's aircraft) arising or claimed to arise as a result of lessee's operation, possession or use of the lessor's aircraft during the period of any lease. The lessee will carry passenger and cargo and public liability (including liability of lessor to employees of lessee) and property damage insurance policies covering risks attendant upon the foregoing in companies and with coverage which shall meet the lessor's reasonable satisfaction, such coverage to be in any event at least as extensive as in the case of its own aircraft, and will cause the lessor to be included in its policies as a party insured.

(b) The lessor will indemnify the lessee and hold it harmless (1) in respect of any liability arising or claimed to arise as a result of the operation of lessor's aircraft except when such aircraft shall be leased to the lessee, and (2) from all claims of lessor's flight crews and cabin attendants, if any, engaged in the operation of lessor's aircraft. The lessor will carry passenger and cargo and pub-



lie liability and property damage insurance policies covering the risks attendant on the foregoing in companies and with coverage which shall meet the lessee's reasonable satisfaction, such coverage to be in any event at least as extensive as in the case of its own operations, and will cause the lessee to be included in its policies as a party insured. The lessor will also carry appropriate policies of workmen's compensation insurance with respect to the employees referred to in clause (2) hereof.

(c) All indemnities herein shall include related costs and expenses.

(d) In the event of loss of or damage to or delay in the delivery of baggage or personal effects of a passenger, or cargo, express or mail on an aircraft making a through flight hereunder, the party having possession of the air- [fol. 2050] craft at the time the loss, damage or delay occurs shall, as between the parties hereto, be responsible therefor but in no event in excess of its liability under its stated conditions of carriage. In case it is not possible to establish which party has possession of the aircraft at the time of such loss, damage or delay, any liability or expense arising therefrom shall be shared among the parties in proportion to the revenue received from the transportation of the passenger whose baggage or personal effects shall have been lost, damaged or delayed or from the transportation of the cargo, express or mail which shall have been lost, damaged or delayed.

#### *8. Damage to Aircraft and Hull Insurance*

The lessee shall be liable for all loss or damage to aircraft or other property under lease to it pursuant to this Agreement within limits (which shall properly reflect the value of such aircraft or other property) to be agreed upon from time to time between the lessor and the lessee, irrespective of any question as to the proper maintenance of the aircraft or other property by lessor. Such value is hereinafter referred to as the "agreed value". If the loss or damage is of such extent that the aircraft is deemed to be a constructive total loss, the lessee shall

pay to the lessor the agreed value of the damaged aircraft and the associated equipment installed therein, as of the date of damage. Upon making such payment the lessee shall become the owner of such aircraft and the associated equipment installed therein and all salvage thereof. The lessee shall not be liable to the lessor for loss of use of the aircraft or other property as a result of loss or damage thereto.

The lessee shall, unless it desires to operate in whole or in part as a self-insurer, procure and maintain in full force [fol. 2051] and effect during the term of this Agreement at its own expense policies of hull insurance insuring against any loss of damage for which the lessee may be liable in an amount equal to the agreed value of each aircraft to be leased hereunder, in companies and under terms of insurance which shall meet the lessor's reasonable satisfaction. Said policies of insurance shall name the lessor as a co-insured and the lessee shall provide to the lessor a certificate of insurance evidencing such coverage. Such certificate of insurance shall have in it a "breach of warranty" clause providing that a breach of the insuring conditions by the lessee will not invalidate the insurance as to the lessor. The lessee agrees to require its insurers to waive any and all rights of subrogation such insurers may or could have against the lessor by virtue of such insurance contracts. The certificate of insurance shall also contain a provision that the lessor shall be given thirty (30) days' prior written notice by the insurers in the event either the insurers or the lessee desire to cancel or make a material change in the insuring conditions of such policies of insurance.

If the lessee desires to operate in whole or in part as a self-insurer, the lessor may require the lessee, prior to the commencement of operations or use of aircraft hereunder, or at any time thereafter, to deliver a bond with a surety and under terms and conditions reasonably satisfactory to the lessor which shall indemnify the lessor against any loss occasioned by such lessee's election not to procure hull insurance coverage in accordance with the provisions of this paragraph provided that a condition of

any such bond shall be that it shall not be cancellable except upon thirty (30) days' prior written notice thereof from the surety to the lessor; and provided further that no such bond shall be required if the amount of the hull [Pol. 2052] insurance coverage carried by such self-insuring lessee is at least ninety percent (90%) of the agreed value of the aircraft.

#### 9. *Liens on Chartered Aircraft*

The lessee shall not permit any aircraft leased to it hereunder to remain subject to any mechanics or other lien whatsoever, and shall promptly satisfy or procure the discharge of any lien or garnishment of any nature whatsoever attaching to such aircraft.

#### 10. *Compensation and Financial Provisions*

##### (a) Rental

National shall pay a rental for aircraft of Panagra leased hereunder at a rate per available seat mile based on National costs to be determined in accordance with the financial supplement attached and made a part hereof.

##### (b) Expenses

All expenses for the services contemplated to be performed by the lessee while the aircraft is under lease pursuant to this Agreement (except emergency maintenance as provided in paragraph 10(c)), and passenger and cargo liability, public liability and property damage and hull insurance as provided in paragraphs 7(a) and 8 shall be paid by the lessee.

##### (c) Maintenance

The lessor shall overhaul and maintain (except for turn-around maintenance while the aircraft is in the possession of the lessee) in accordance with its operations specifications, the aircraft leased hereunder. No aircraft shall be leased hereunder unless it is probable that it can be returned to the lessor before the time set for its next pe-

[fol. 2053] periodic inspection under the lessor's operations specifications unless, subject to agreement of the parties, the efficient utilization and routing of such aircraft makes such necessary or desirable. The lessee shall perform at the lessor's expense any emergency repairs or maintenance (not properly a part of on-line or turn-around maintenance service) while the aircraft is in its possession to the extent requested by the lessor, but only to the extent to which it is capable with the personnel and facilities available at the point where the aircraft is located. The charge for such emergency repairs and maintenance shall be a fixed charge per man hour of direct labor, to be determined by agreement of the parties, plus the lessee's actual cost of materials used.

(d) Route mileages to be used in any determination under this Agreement will be those effective as shown in CAB Mileage Booklet No. 1, Airport-to-Airport Mileages over Interstate Routes of Certificated Air Carriers, and in any revisions thereof.

#### 11. *Radio and Communications*

The lessor agrees to the installation in its aircraft of all radio or other communications and navigation equipment which may be necessary for the flight of such aircraft in scheduled operations over the lessee's route. Responsibility for the cost of such installation shall be fixed in a supplementary financial agreement to be entered into between the parties.

#### 12. *Passenger Service*

It is the objective of the parties that on all through flights operated pursuant to this Agreement the quality of service, catering and attention afforded passengers on such flights shall be maintained at a level at least equal [fol. 2054] to the highest quality of service, catering and attention afforded passengers on any competitive international carrier serving Latin America. The parties will consult each other on a program for achieving this objective subject to the cost of maintaining this competitive standard.

of service being mutually agreed upon between the parties concerned.

### 13. *Training*

A training program shall be established designed to qualify flight personnel and other personnel for all operations called for by this Agreement, and the expenses of such programs shall be allocated among the parties concerned in accordance with a supplementary financial agreement to be negotiated and entered into between such parties.

### 14. *Access to Books and Records*

The lessor and lessee of aircraft leased hereunder shall each have access to the books, records and accounts of the other as may be reasonably required to verify costs, expenditures and other data pertinent to this Agreement. Each party shall also furnish such information with respect to the operation of the leased aircraft as may be reasonably required by the other parties.

### 15. *Agreements with Other Carriers*

During the term of this Agreement National will not hereafter enter into any interchange agreement with any other carrier providing for the operation of that carrier's aircraft over National's route between Miami and New York which contains financial terms more favorable to such carrier than the financial terms of this Agreement without making such terms available to Panagra at its option.

[fol. 2055]

### 16. *Construction and Definitions*

(a) It is the intention of the parties that within the general framework and conception of this Agreement the various provisions shall be broadly and liberally construed to accommodate technical, commercial, international and regulatory developments in the field of air transportation to the end that through traffic will be handled at

maximum efficiency and in a manner to meet changing competitive conditions.

(b) Nothing in this Agreement shall be deemed to require any of the parties to take any action in violation of any applicable law, regulation, or order.

(c) This contract shall be construed in accordance with the laws of the State of New York.

(d) The various headings herein and the grouping of the provisions of this Agreement into separate paragraphs shall not be construed to limit or restrict the meaning or application of any provision hereof, and are for the purpose of convenience only.

(e) Reference to the Civil Aeronautics Board and to the Administrator of Civil Aeronautics shall mean any successor Federal agency having jurisdiction similar to that now exercised by the Board and the Administrator.

(f) Reference to specific aircraft includes engines, propellers, and accessories and other equipment of every nature which are physically attached to or in operation on such aircraft.

(g) References to Balboa or to the Canal Zone shall be deemed to include Panama, it being recognized that traffic to and from the Canal Zone presently is handled through the Tocumen Airport in Panama.

[fol. 2056]

#### 17. Notice

Notice to National wherever provided in the Agreement shall be given in writing by registered letter addressed to: President, National Airlines, Inc., 3240 Northwest 27th Avenue, Miami, Florida, or to such other address as National may designate in writing. Notice to Pan American wherever provided in the Agreement shall be given in writing by registered letter addressed to: Vice President—Administration, Pan American World Airways, Inc., 135 East 42nd Street, New York, N. Y., or to such other address as Pan American may designate in writing. Notice to Panagra wherever provided in the Agreement shall be



given in writing by registered letter addressed to: President, Pan American-Grace Airways, Inc., 7 Hanover Square, New York, New York, or to such other address as Panagra may designate in writing. Notice shall not be considered given until the date when the same shall have been received as evidenced by the Post Office return receipt or, if the addressee shall have refused to accept the registered notice, the date on which such registered notice shall have been first tendered to the addressee. Notwithstanding the foregoing provisions of this paragraph, notice may likewise be given in writing by letter delivered to the person designated to receive notice as aforesaid, provided a receipted copy is secured.

#### 18. *Arbitration*

From and after the effective date of this Agreement any and all disputes as to the construction or operation of this Agreement shall be submitted to arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association as amended and in effect January 1, 1952, (hereinafter referred to as the "Rules") in the manner hereinafter provided; provided, however, [fol. 2057] that the foregoing shall not render subject to arbitration any matter which under this Agreement is subject to agreement between the parties. The party requesting arbitration shall notify the other parties as to the matter to be arbitrated. Within five (5) days after receipt of such notice, the other parties shall notify the party giving the notice whether they claim an interest in the arbitration. If both of the other parties give such notice, the arbitration shall be before three disinterested and unbiased arbitrators appointed by the Administrator (as defined in the Rules). If only one of the other parties shall give timely notice of claim of an interest in the arbitration, such party and the party giving the initial notice shall each appoint an arbitrator within fifteen (15) days after the giving of the initial notice and, within ten (10) days after such appointment, the two arbitrators so appointed shall appoint a third arbitrator. If either party fails to appoint the arbitrator whom such party is entitled

to appoint, or if the arbitrators appointed by or for the respective parties shall fail to appoint the third arbitrator, such then unappointed arbitrator shall be appointed by the Administrator. The award of any two of the three arbitrators shall be final, binding and conclusive upon the parties, and judgment upon the award may be entered in any court having jurisdiction. Any arbitration hereunder shall be conducted in accordance with the laws of the State of New York, and shall be conducted in New York, N. Y. unless the parties shall otherwise agree in writing.

#### 19. *Effective Date*

This agreement shall become effective upon the date when the orders of the Civil Aeronautics Board taking the actions hereinafter specified shall have become effective; provided, however, that if, prior to the date of the initiation [fol. 2058] of operations hereunder, any of such orders shall have been stayed either by the Civil Aeronautics Board or by any court of competent jurisdiction, the effective date of this Agreement shall be postponed until the dissolution of such stay:

- (1) Approval of this Agreement;
- (2) Continued approval of the Through Flight Agreement.

#### 20. *Term*

This Agreement shall terminate, or may be terminated:

- (1) If the Civil Aeronautics Board should at any time withdraw its approval hereof; or
- (2) If the Civil Aeronautics Board should at any time withdraw its approval of the Through Flight Agreement; provided, however, that anything to the contrary herein notwithstanding such withdrawal of approval shall not prevent National and Panagra from conducting through flights pursuant to this Agreement if Panagra should obtain legal authorization to engage in air transportation between the Canal Zone and Miami or National should obtain legal

authorization to engage in air transportation between Miami and the Canal Zone; or

(3) At the option of any of the parties on six (6) months' written notice and subject to the approval of the Civil Aeronautics Board.

21. *Through Flight Agreement—Reservation of Rights*

Nothing herein contained shall in any respect be in derogation of the rights and obligations of Pan American or Panagra under the Through Flight Agreement as to one another.

[fol. 2059]

22. *Non-Prejudice*

If this Agreement is not approved by the Civil Aeronautics Board or for any other reason does not become effective or if, having become effective, this Agreement should be disapproved, terminated or cancelled the negotiation and the terms of this Agreement and all applications filed and acts done hereunder shall be without prejudice to the rights and future position of any party.

IN WITNESS WHEREOF and in consideration of the mutual covenants contained herein, the parties hereto have executed these premises as of the day and year first above written.

NATIONAL AIRLINES, INCORPORATED

By /s/ ALEXANDER G. HARDY  
Senior Vice President

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

[fol. 2060]

Revision No. 1

Dated August 9, 1955

**FINANCIAL SUPPLEMENT TO THE INTERCHANGE  
AGREEMENT BETWEEN NATIONAL AIRLINES  
INCORPORATED, PAN AMERICAN WORLD AIR-  
WAYS, INC. AND PAN AMERICAN-GRACE  
AIRWAYS, INC.**

**1. FORMULA FOR DETERMINATION OF COSTS.\***

Costs of flight equipment and related services supplied to lessee by lessor pursuant to the Interchange Agreement will be determined separately by type of flight equipment and services relating thereto and shall be based upon National's costs per available seat mile for operating the same type of flight equipment in the same type of service (for this purpose the Douglas DC-7 and DC-7B shall be considered as the same type of equipment). The available seat miles shall be computed by multiplying the revenue miles flown by the seats installed in the various types of aircraft by type of service after excluding seats reserved for crew use. Should National's accounting practices, company procedures or the introduction of new types of equipment seriously distort its costs, any cost so affected shall be adjusted to reflect a normal cost level. Any abnormal costs of introducing new types of aircraft or other abnormal costs which benefit subsequent periods, which are removed from current costs, shall be amortized over a reasonable period for purposes of this contract. This general formula for cost ascertainment shall be subject to the following agreed limitations and determinations:

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\* All references to account numbers are to the Civil Aeronautics Board's Uniform System of Accounts for Air Carriers presently in effect. If any revision is made in such Uniform System of Accounts, this Financial Supplement will be revised accordingly, it being understood, however, that the same elements of cost shall be included in the determinations hereunder.

## 1.1 Direct Flight Costs

[fol. 2061] 1.11 Flying Operations—Flying operations expense shall be determined as stated above except as follows:

- (1) Flight Crew Salaries and Expenses—Should the flight crews of either the lessor or the lessee be used on the routes of the other party pursuant to paragraph 1(a) of the Interchange Agreement, a separate charge will be made based on the available seat-mile cost of National for salaries, traveling, training and supervision expenses and general administrative expenses applicable to flight crew salaries.
- (2) Gasoline and Gasoline Taxes—The cost of these items shall be based on average consumption per revenue flight hour, including gas consumed in taxiing and run-up time, at average gasoline prices for each month, for the type of fuel used at the various points at which gasoline is delivered to aircraft leased, said prices to include any outside costs incurred in connection with fueling, converted to an available seat mile cost for each type of flight equipment operated in the Interchange Services. The average consumption per hour for each type of flight equipment shall be determined by actual measurement of fuel used on the first fifteen round trip flights on each schedule. The hourly consumption shall be increased by lessee's experience percentage of non-revenue to revenue hours to include non-revenue flying. The figure thus arrived at shall continue to apply except that either the lessor or the lessee may request a [fol. 2062] revision at any time whereupon a new measurement shall be made on the next fifteen flights on each schedule and a new average consumption per hour converted to an

available seat mile shall be determined on the basis of such measurement.

(3) Oil, ADI fluid and Related Taxes—The average actual cost of these items per available seat mile flown in the Interchange Services by type of flight equipment shall be used.

(4) Gasoline, oil, ADI fluid and related taxes supplied by the lessee shall be for the account of the lessor.

1.12 Direct Maintenance — Flight Equipment — The available seat mile cost of National for the same type of flight equipment in the same type service shall be used. In the event that it can be determined that overhaul reserves provided by National are either excessive or insufficient, the reserve provision shall be adjusted to reflect the cost level which may reasonably be anticipated.

1.13 Flight Equipment Depreciation—Depreciation expense shall be based upon National's cost per available seat mile for the same type of flight equipment in the same type of service except that if reported costs of aircraft and engines are based upon a life different than 7 years and 10% residual values the reported costs shall be adjusted to a 7-year basis and 10% residual values in making this determination. In the event that National's reported depreciation expense is distorted by the use of fully-depreciated flight equipment, [fol. 2063] appropriate adjustment will be made in this expense to reflect the normal level of costs.

1.21 Ground and Indirect Maintenance—This element of expense shall be determined by applying to National's direct labor cost per available seat mile by type of equipment in the same type of service National's overhead rate in relation to direct labor used in the maintenance of all types of flight equipment. The lessor and lessee have estimated that 25% of the direct labor and direct materials used



in connection with ground maintenance included in Accounts 6227 and 6248 relate to maintenance of ground equipment not used in connection with the shop facilities. It is mutually agreed between the lessor and the lessee that such percentage will be subject to revision from time to time as studies of National's accounts may indicate as being appropriate. Therefore, 25% of the total of these two accounts shall be excluded and the formula for determining overhead rate for this portion of the shop burden shall be as follows:

$$\begin{array}{l} \text{Total 6200 expense—25\% of} \\ \text{Accounts 6227 and 6248} \\ \hline \text{Accounts 5225 + 5226 + 5227} = \text{Burden rate} \\ + 25\% \text{ of 6227.} \end{array}$$

In computing the burden rate under the formula above, the expenditure of National in the accounts referred to in the numerator and denominator shall be gross before SO account credits or direct credit transfers of expenses.

- 1.22 Depreciation—The lessor and the lessee estimate that 18% of all ground equipment depreciation [fol. 2064] relates to the shop facilities used in the maintenance of flight equipment. It is mutually agreed that such percentage will be subject to revision from time to time as studies of National's accounts may indicate as being appropriate. Therefore, this portion of the ground equipment depreciation of National shall be computed as an overhead item against direct labor used in flight equipment maintenance as follows:

$$\begin{array}{l} 18\% \text{ of Ground Equipment} \\ \text{Depreciation} \\ \hline \text{Accounts 5225 + 5226 + 5227} = \text{Burden rate} \\ + 25\% \text{ of 6227} \end{array}$$

The cost to be used in the accounts in the numerator and denominator of the above formula shall be gross before SO account credits or direct credit transfers of expenses.

- 1.23 General and Administrative Expense—Various items of expense in this category related to flight equipment maintenance have been provided for in the overall distribution of general and administrative expense hereinafter set forth.

1.3 Line Service Expense

The general intention is that services of this nature shall be handled by lessee for its own account and that lessee shall reimburse lessor for the reasonable expenses of any such work as may be agreed the lessor shall perform either directly or by a third party acting in its behalf. Line service shall be deemed to mean only routine line service, such as refueling, turn-around inspection, fire guard, aircraft cleaning, etc., and not emergency repairs or periodic checks or maintenance, such as [fol. 2065] are normally performed in the shops of the owner of the aircraft.

1.4 Passenger Service Expense

On through flights where lessor furnishes part of lessee's normal complement of cabin attendants, the lessor and lessee agree that the rental shall include a charge for each cabin attendant so furnished by the lessor. This charge shall represent the average available seat mile cost of National for salaries, travel expenses, training and supervision applicable to cabin attendants.

The cost of other passenger services to be furnished by lessor shall be based on the cost per available seat mile reported by National in Accounts 6343, "Other Services", 6352, "Passenger Supplies—Other", and 6353, "Other Supplies".

1.5 General and Administrative Expense

General and Administrative Expenses shall be determined by allocating the general and administrative expense of National on the basis of the labor cost reported in each account group.

Certain general and administrative expenses not related to the services performed are to be excluded as follows:

The amounts reported in accounts 6641, 6642, 6665, 6666, 6667 and 6672 shall be excluded in total.

The remaining general and administrative expenses shall be allocated on the basis of labor costs appearing in account groups 5100, 5200, 6100, 6200, 6300, 6400 and 6500. This proration shall be by type of equipment with respect to account groups 5100 and 5200. The total amount of general and administrative expense allocated to the 6200 group shall be re-allocated to the 5200 group of accounts by type of equipment in accordance with the formula set forth in paragraph 1.21 of this Financial Supplement.

#### 1.6 Investment

In lieu of a return on the lessor's investment devoted to the interchange, the lessee shall maintain a cash deposit with lessor equivalent to the amount of the lessor's investment in flight equipment, including spares and working capital devoted to the interchange services up to twenty-one (21) flights per week over lessee's route (see paragraph 2 of the Interchange Agreement). The investment in complete aircraft units shall be determined on the basis of the lessor's cost of such aircraft units except that in the case of DC-6B aircraft such investment shall be determined on the basis of present market value to be agreed upon between the lessor and the lessee, or, in the absence of agreement, by arbitration between them pursuant to the Interchange Agreement. The investment in spare engines, spare propellers and flight equipment spare parts and assemblies shall be an amount equal to 30% of the investment determined for the complete aircraft units. The amount of the lessor's investment in flight equipment, including spares, devoted to the interchange services shall be determined by multiplying the average investment per aircraft

unit (computed separately for each type), including spares, by the number of units devoted to the interchange operation, less the depreciation paid by lessee pursuant to paragraph 1.13.

[fol. 2067] For the purpose of computing the investment devoted to the interchange, the number of aircraft units of each type upon which such investment shall be based for each quarter shall be determined by dividing the estimated average revenue hours to be flown per day with lessor's aircraft of such type over lessee's routes under the Interchange Agreement during such quarter by National's average daily revenue hour utilization during the preceding twelve (12) months with its own equipment of the same type.

The lessee will provide an amount of working capital estimated at one month's cash expenses for the services performed over National's Route No. 31 under the Interchange Agreement, provided that, if the deposit is made by the lessee in cash, the lessor will deliver to the lessee a bond with a surety in such amount of working capital and under terms and conditions reasonably satisfactory to the lessee.

□ The cash deposit will be adjusted each quarter.

As evidence of the cash deposit by the lessee, the lessor will issue to the lessee its non-interest bearing note for the amount of the deposit computed as of the effective date of the Interchange Agreement, with such reasonable terms and conditions as will enable the lessee to discount such note without recourse. The lessor will cooperate with the lessee to effect such discount. Such note shall be for a term of seven (7) years or the termination of the Interchange Agreement, whichever shall first occur, with twenty-eight (28) equal quarterly payments which will approximate the anticipated reduction of the deposit due to depreciation accruals.

In lieu of a cash deposit the lessee, at its option, may issue its note to lessor for all or any part of the amount of the deposit required pursuant to this paragraph 1.6.

[fol. 2068] Such note shall be for a term of seven (7) years or the termination of the Interchange Agreement, whichever shall first occur, with twenty-eight (28) equal quarterly payments which will approximate the anticipated reduction of the deposit due to depreciation charges, with interest at such rate as will permit the lessor to discount, without recourse, such note at time of issuance at par.

Upon the quarterly redetermination of the deposit as provided in this paragraph 1.6 the lessor will (a) pay to the lessee the amount of any reduction in such deposit over the balance previously required if the lessee shall have on deposit with lessor cash to cover such deposit, or (b) in the event lessor shall have issued its note or notes as evidence of such deposit, lessor shall apply such reduction first in payment of current amortization on such note or notes and any excess of such reduction over current amortization shall be applied as prepaid amortization of such note or notes in inverse order of maturities, or (c) if the lessee shall have issued its note or notes to the lessor in lieu of such deposit, then lessor shall pay any such reduction of the deposit to the lessee to be used for reduction of such note or notes. In the event of an increase in the required deposit, the lessee will either cover the additional amount required by a cash deposit with the lessor in which event lessor shall issue in its note or notes, if lessee so elects, as evidence of such additional deposit with terms and conditions as above provided unless otherwise agreed, or, if lessee so elects, it may issue a note or notes in lieu of such additional deposit with terms and conditions as above provided unless otherwise agreed.

It is the intention of this paragraph 1.6 to give the lessee the election as to whether the deposit shall be made in cash or by its note so that the rate of interest to be paid by the [fol. 2069] lessee on any notes issued or discounted pursuant to this paragraph 1.6 shall not exceed the rate of interest at which the lessee can borrow money on the same terms and conditions.

#### 1.7 Sale of Aircraft

It is contemplated that initially five (5) DC-7Bs and five (5) DC-6Bs shall be devoted to the interchange

service. In the event of (a) termination of the Interchange Agreement pursuant to paragraph 20 of the Interchange Agreement or (b) withdrawal of any type of aircraft operated in the interchange service, title to one aircraft to be designated by mutual agreement as of the effective date of the Interchange Agreement out of each five aircraft to be operated in the interchange service shall pass to the lessee upon the following terms and conditions:

The lessee shall pay the lessor the difference between the agreed value of the designated aircraft and the aggregate depreciation paid by the lessee to lessor on the aircraft (excluding spares) of the type involved. The agreed value shall be the lessor's cost of such designated aircraft except that in the case of the DC-6B type of aircraft presently being operated by the lessor, the agreed value shall be established on the basis of the market value of such designated aircraft as of the effective date of the Interchange Agreement, established in accordance with the second sentence of paragraph 1.6 above. The lessor shall have the option forthwith (a) to purchase at the then current market value or (b) to lease for a period not to exceed eighteen [for 2070] (18) months, unless otherwise agreed, at a rental to be agreed upon, any such designated aircraft sold to the lessee, except that in the case of such designated aircraft withdrawn from the interchange service the lessor shall not have such options with respect to such designated aircraft sold to the lessee on which the lessee has paid in depreciation an amount equal to 90% of the agreed value of such designated aircraft as of the date title passes to the lessee. In the absence of agreement on the above then current market value or rental the same shall be determined by arbitration pursuant to the Interchange Agreement.

It is understood that the lessor shall have the right to substitute an aircraft of the same type and of substantially



the same condition as the designated aircraft if the lessor is unable to deliver such designated aircraft because of loss, damage or other causes beyond the lessor's control. In such event the substituted aircraft shall become the designated aircraft for the purposes of this paragraph 1.7.

Title to the designated aircraft shall not pass to the lessee but shall remain in the lessor until termination of the Interchange Agreement or the withdrawal of the aircraft from the interchange service and payment of the full purchase price as prescribed above. Further, it is understood that wherever in the Interchange Agreement and this Financial Supplement the word "aircraft" is used, it shall include the designated aircraft.

This paragraph 1.7 shall be subject to review and modification by mutual agreement, or in the absence of such agreement, by arbitration pursuant to the Interchange Agreement, in the event any new type or additional aircraft are to be operated in the interchange service (except aircraft which may be required to replace any lost or [fol. 2071] damaged aircraft), with the understanding that upon such review a similar basis will be followed as was used above with respect to the five (5) DC-6Bs and the five (5) DC-7Bs referred to in this paragraph 1.7.

## 2. BILLINGS AND BASE PERIODS

The payments provided for in this Financial Supplement shall be made within ten (10) days after invoice therefor shall be submitted to the party from which payment is due, which invoice shall be submitted monthly. Determination and billing of the rental of flight equipment and related equipment supplied to lessee by lessor pursuant to the Interchange Agreement for each year's period beginning January 1 shall be based on National's cost for the year ended June 30, following. Pending determination of such costs based on National's final financial and operating reports to the Civil Aeronautics Board, interim billings may be made on an estimated basis at the rates in effect during the preceding period.

### 3. REVIEW OF FORMULA

The formula for determination of prices for services rendered under the Interchange Agreement may be reviewed at the request of either the lessor or the lessee made in writing at least fifteen (15) days before the expiration of any annual period. In the event of the making of any such request, the parties will promptly confer with a view to agreeing on such a readjustment, or, in the absence of agreement, by arbitration between them pursuant to the Interchange Agreement.

[fol. 2072]

## EXHIBIT B

### *Through Flight Agreement*

#### *Supplement No. 18*

#### *Relating to Interchange Agreement with National Airlines, Incorporated*

AGREEMENT made this 4th day of August, 1955, by and between PAN AMERICAN WORLD AIRWAYS, INC., a New York Corporation (hereinafter called "PAA"), and PAN AMERICAN-GRACE AIRWAYS, INC., a Delaware Corporation (hereinafter called "Panagra"):

WHEREAS, PAA and Panagra are parties to a certain agreement dated July 30, 1946, and supplements thereto numbered one through seventeen inclusive relating to the charter of Panagra's aircraft to PAA for through operation on certain of PAA's routes north of the Canal Zone and other matters, which agreements are hereinafter referred to as "the Through Flight Agreement"; and

WHEREAS, PAA and Panagra have entered into an agreement with National Airlines, Incorporated, a Florida corporation (hereinafter called "National"), dated as of the date hereof (hereinafter referred to as "the Interchange Agreement"); and

WHEREAS, the parties desire to supplement and amend the Through Flight Agreement as herein set forth.

NOW, THEREFORE, THE AGREEMENT WITNESSETH:

102. All recitals and paragraphs of Supplement No. 5 to the Through Flight Agreement are hereby deleted, except [fol. 2073] except paragraphs 49, 50, 51 (except for the first parenthetical insertion), 53 (except for the proviso to the last sentence of the amendment made therein), 54 (notwithstanding any provisions of paragraph 59 to the contrary), 57(e) (as modified by paragraph 71); and 57(g).

103. The last sentence of paragraph 14 of the Through Flight Agreement as amended by paragraphs 51 and 102 above is amended to read as follows:

"PAA and Panagra will agree with each other (and with National if the Interchange Agreement shall become and be effective) in advance on appropriate advertising programs (including newspaper and magazine space, advertising and display pieces and collateral material) and budgets therefor, for promoting the through flights made pursuant to this Agreement, and the approved expense of all such advertising shall be apportioned among them as from time to time agreed, provided, however, that no charge shall be made for transporting advertising material to the most effective point of use."

104. For the term of the Interchange Agreement, Panagra's aircraft chartered to PAA pursuant to the Through Flight Agreement for through operation between the Canal Zone and Miami, Florida, shall, except as the Civil Aeronautics Board may otherwise permit, be further chartered to National for through operation by National upon the specific terms and conditions set forth in the Interchange Agreement.

105. Panagra hereby constitutes and appoints PAA as Panagra's agent, for the term during which the Through Flight Agreement and the Interchange Agreement shall be simultaneously in effect, to deliver Panagra's aircraft to National at Miami, for the purpose of flights over National's route pursuant to the said agreement and to receive delivery of Panagra's aircraft from Na-

tional at Miami. PAA is authorized as such agent, on Panagra's behalf, to receive and execute such receipts, to perform such inspections, to make such checks and measurements, and to perform all such other acts as may be necessary or appropriate in connection with the delivery or return of the said aircraft. In acting as such agent with respect to the delivery of Panagra's aircraft to National and the return of Panagra's aircraft by National at Miami, PAA shall be bound to exercise the same and only the same degree of care as PAA exercises with respect to the delivery and return of its own aircraft under similar circumstances.

106. The second sentence of paragraph 15(a) of the Through Flight Agreement as amended is further amended to read as follows:

"PAA shall be deemed to be in possession of Panagra's aircraft (1) in the case of aircraft turned over to PAA for operation on through flights under this agreement, from the time when such aircraft is so turned over to PAA by Panagra until the time when such aircraft is either (i) returned by PAA to Panagra or (ii) turned over by PAA to National for operation by National pursuant to the Interchange Agreement, in which event the aircraft shall again be deemed to be in PAA's possession when returned to it by National, and (2) in the case of aircraft turned over to PAA for maintenance, from the time when such aircraft is turned over to PAA at one of the latter's maintenance bases until the time when such aircraft is returned to Panagra, or until it is turned over by PAA to National as provided above; except, in either case, for non-revenue or other special flights (excluding test flights made under PAA custody following maintenance and according to CAA requirements) during such period [fol. 2075] made at the instance and request of Panagra."

107. Paragraph 17(h) of the Through Flight Agreement (added by paragraph 34 of Supplement No. 2) is amended by adding the following at the end thereof: "and in the case

of mileage flown over the route of National pursuant to the Interchange Agreement will be those effective as shown in the 'Civil Aeronautics Board Official Airline Route and Mileage Manual' and in any revisions thereof."

108. Paragraph 23(c) of the Through Flight Agreement is amended by adding at the end thereof the words: "and the delivery of possession of Panagra's aircraft to National and the return of such possession from National pursuant to the Interchange Agreement."

109. (a) All references in Annex 1A to the Through Flight Agreement to "the charter service" shall refer only to the charter service operated by PAA pursuant to said Agreement. All references in said Annex 1A to the total revenue miles flown by Panagra's aircraft or to a revenue mile basis shall include revenue miles flown by such aircraft pursuant to the Interchange Agreement, except that (i) in those instances where the expenses to be prorated under paragraph 1 of Annex 1A are not related to the miles flown by Panagra aircraft under the Interchange Agreement, the mileage under the Interchange Agreement shall be omitted; and (ii) in those instances where the expenses to be prorated under paragraph 1 of Annex 1A are only partially related to the miles flown by Panagra aircraft under the Interchange Agreement, the mileage under the Interchange Agreement shall be included on an appropriately weighted basis.

[fol: 2076]. (b) Paragraph 1A1(1) of said Annex 1A is amended by adding at the end thereof the following: "and Panagra will cause National to advise Panagra at the close of each month of the total gallonage delivered by National to Panagra's aircraft, classified by aircraft types, under the Interchange Agreement."

(c) The last sentence of paragraph 1A3 of said Annex 1A is amended to read as follows:

"If it shall appear that major items of cost recorded in such accounts are applicable only to the charter service or to Panagra's common carrier service or to the charter service operated pursuant to the Inter-

change Agreement, provision will be made for removing such costs from allocation and charging such costs directly to the service to which they relate."

(d) The parenthetical phrases in paragraphs 1A3 and 1B of said Annex 1A now reading: ("except for credits arising out of charges to PAA") are amended to read ("except for credits arising out of charges to PAA and of charges to National").

(e) The last sentence of paragraphs 2B and 2C of said Annex 1A are amended by adding at the end the words:

"plus 20% of the available ton miles flown in the charter service operated pursuant to the Interchange Agreement."

110. Paragraph 102 of this Supplement No. 18 shall be effective immediately. The remainder of this Supplement No. 18 shall become effective only in the event that the Interchange Agreement shall become effective and upon the making of an order by the Civil Aeronautics Board [fol. 2077] approving the Through Flight Agreement as herein modified, and shall remain in effect so long as the Interchange Agreement and the Through Flight Agreement shall remain simultaneously in effect.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their officers thereunto duly authorized on the day and year first above written.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE

*Vice President*

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL

*Vice President*



[fol. 2078]

**Certificate of Service**

IT IS HEREBY CERTIFIED that a copy of the foregoing application has this day been served upon all counsel who have appeared in the Reopened New York-Balboa Through Service Proceeding, Docket No. 4882, by mailing to each of them a copy thereof properly addressed, postage prepaid, dated at Washington, D. C. this 4th day of August, 1955.

/s/ JOHN C. PIRIE  
John C. Pirie

[fol. 2079]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 29

**BEFORE THE  
CIVIL AERONAUTICS BOARD**

**Docket No. 4882 et al.**

**In the matter of the  
REOPENED NEW YORK-BALBOA THROUGH SERVICE PROCEEDING**

**Docket No. 7341**

**In the matter of the  
Application of National Airlines, Incorporated, Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. for approval of Equipment Interchange Agreement and Amendment to Through Flight Agreement under Section 412 of the Civil Aeronautics Act and, if deemed necessary, for approval under or exemption from Section 408 of the said Act.**

AMENDMENT NO. 1 TO APPLICATION OF NATIONAL AIRLINES, INCORPORATED, PAN AMERICAN WORLD AIRWAYS, INC., AND PAN AMERICAN-GRACE AIRWAYS, INC. FOR APPROVAL OF EQUIPMENT INTERCHANGE AGREEMENT AND AMENDMENT TO THROUGH FLIGHT AGREEMENT UNDER SECTION 412 OF THE CIVIL AERONAUTICS ACT AND, IF DEEMED NECESSARY, FOR APPROVAL UNDER OR EXEMPTION FROM SECTION 408 OF THE SAID ACT.

1. The applicants herein have entered into Supplement No. 1 to the Equipment Interchange Agreement referred to in the original Application, such Supplement No. 1 being attached hereto as Exhibit I.

[fol. 2080] 2. The applicants respectfully request that the Application herein be deemed to refer to the Equipment Interchange Agreement as amended by said Supplement No. 1.

Respectfully submitted,

NATIONAL AIRLINES, INCORPORATED

By /s/ ALEXANDER G. HARDY  
Senior Vice President

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

Dated: August 10, 1955.

[fol. 2081]

## EXHIBIT 1

Supplement No. 1 to  
Equipment Interchange Agreement

This Supplemental Agreement made this 9th day of August, 1955 between NATIONAL AIRLINES, INCORPORATED, a corporation organized and existing under the laws of the State of Florida (hereinafter referred to as "National"), PAN AMERICAN WORLD AIRWAYS, INC., a corporation organized and existing under the laws of the State of New York (hereinafter referred to as "Pan American"); and PAN AMERICAN-GRACE AIRWAYS, INC., a corporation organized and existing under the laws of the State of Delaware (hereinafter referred to as "Panagra");

## WITNESSETH:

WHEREAS, National, Pan American and Panagra entered into an Equipment Interchange Agreement, dated August 4, 1955, hereinafter referred to as the "Equipment Interchange Agreement"; and

WHEREAS, the parties desire to amend the Financial Supplement to the Equipment Interchange Agreement as hereinafter provided.

Now, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto do hereby agree that the financial supplement attached to and made a part of the Equipment Interchange Agreement is hereby amended in accordance with the financial supplement attached hereto, marked "Revision No. 1, dated August 9, 1955," and made a part hereof.

[fol. 2082] IN WITNESS WHEREOF the parties hereto have executed these premises as of the day and year first above written.

NATIONAL AIRLINES, INCORPORATED

By /s/ ALEXANDER G. HARDY  
*Senior Vice President*

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
*Vice President*

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
*Vice President*

[fol. 2083]

Certificate of Service

IT IS HEREBY CERTIFIED that a copy of the foregoing amendment has this day been served upon all counsel who have appeared in the Reopened New York-Balboa Through Service Proceeding, Docket No. 4882, by mailing to each of them a copy thereof properly addressed, postage prepaid, dated at Washington, D. C. this 11th day of August, 1955.

/s/ ALEXANDER G. HARDY

ALEXANDER G. HARDY

[fol. 2084]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 30

TELEPHONE  
MURRAY HILL 6-7100

CABLE ADDRESS  
"PANAGRA"

(Emblem)

PAN AMERICAN-GRACE AIRWAYS, INC.

EXECUTIVE OFFICES

CHRYSLER BUILDING — NEW YORK 17, N. Y.

August 29, 1955.

Civil Aeronautics Board  
Washington 25, D. C.

Attention: Chief, Carrier Relationships Division  
Bureau of Air Operations.

Dear Sirs:

Pursuant to Section 412 of the Civil Aeronautics Act of 1938, as amended and Part 261 of the Economic Regulations, and in accordance with the Board's Order No. E-9481 dated August 10, 1955, we transmit herewith for filing two copies of the following documents:

Supplement No. 2 dated August 22, 1955 to the Equipment Interchange Agreement between Pan American-Grace Airways, Inc., Pan American World Airways, Inc. and National Airlines, Incorporated.

Letter Agreement dated August 24, 1955 between Pan American-Grace Airways, Inc. and National Airlines Incorporated covering valuation of Panagra DC-7B and DC-6B aircraft.

Very truly yours,

/s/ K. A. LAWDER

K. A. Lawder

Vice President & Comptroller

cc: National Airlines,  
Incorporated  
Pan American World Airways, Inc.

[fol. 2085]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 31

STATE OF NEW YORK }  
 COUNTY OF NEW YORK } ss.:

I, K. A. Lawder, being duly sworn, do depose and say that I am a Vice President and Comptroller of Pan American-Grace Airways, Inc.; that I have read and am familiar with the contents of the foregoing document, and that said document is a true and complete copy of Supplement No. 2 dated August 22, 1955 to the Equipment Interchange Agreement between Pan American-Grace Airways, Inc.; Pan American World Airways, Inc. and National Airlines Incorporated (CAB No. 9205).

/s/ K. A. LAWDER

Sworn and subscribed to  
 before me this 29th day  
 of August, 1955.

/s/ MARY M. QUINN  
 Notary Public

[fol. 2086]

SUPPLEMENT NO. 2 TO EQUIPMENT  
 INTERCHANGE AGREEMENT

This Supplemental Agreement made this 22nd day of August, 1955, between NATIONAL AIRLINES, INCORPORATED, a corporation organized and existing under the laws of the State of Florida (hereinafter referred to as "National"), PAN AMERICAN WORLD AIRWAYS, INC., a corporation organized and existing under the laws of the State of New York (hereinafter referred to as "Pan American"), and PAN AMERICAN-GRACE AIRWAYS, INC., a corporation organized and existing under the laws of the State of Delaware (hereinafter referred to as "Panagra");

## WITNESSETH:

WHEREAS, National, Pan American and Panagra entered into an Equipment Interchange Agreement dated



August 4, 1955, which was amended by Supplement No. 1 dated August 9, 1955, which Agreement, as so amended, is hereinafter referred to as the "Equipment Interchange Agreement"; and

WHEREAS, the parties desire to supplement the Equipment Interchange Agreement as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Interline settlement of revenues derived from, and commissions payable on, the transportation service rendered pursuant to the Equipment Interchange Agreement shall be made in the same manner as though said service were a connecting plane service at Miami operated over the same routes.

2. Until otherwise agreed by the parties, the charge per man hour of direct labor for emergency repairs and maintenance performed by the lessee pursuant to paragraph 10(c) of the Equipment Interchange Agreement shall be as follows:

Straight time — \$5.00 per man hour

Time and a half — \$6.25 per man hour

Double time — \$7.40 per man hour

[fol. 2087] 3. It is hereby agreed in accordance with paragraph 11 of the Equipment Interchange Agreement that radio communications and navigation equipment installed on the aircraft to be initially devoted to services performed pursuant to the Equipment Interchange Agreement will be supplemented and modified in the following respects, that National will bear the following costs relating thereto and that any additional costs will be borne by Panagra:

- a. National will pay the cost (including cost of materials) of providing for the additional radio frequencies required for operation over its Miami-New York route up to a maximum of \$750.

- b. National will pay the cost (including cost of materials) of instrument modification to provide altimeter barometer readings in inches for purposes of operation over its Miami-New York route up to a maximum of \$1,000.

In the event any further installation or modification of radio or other communications and navigation equipment on such aircraft or other aircraft shall be required pursuant to said paragraph 11, the responsibility for the cost thereof shall be fixed by further supplementary agreement between the parties.

4. It is hereby agreed in accordance with paragraph 13 of the Equipment Interchange Agreement that until otherwise agreed by the parties each party will, at its own expense, perform, or arrange for, any training of its flight [fol. 2088] personnel or other personnel required for the operations called for under the Equipment Interchange Agreement.

IN WITNESS WHEREOF the parties hereto have executed these premises as of the day and year first above written.

NATIONAL AIRLINES, INCORPORATED

By /s/ ALEXANDER G. HARDY  
Senior Vice President

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ JOHN C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ KENNETH A. LAWDER  
Vice President &  
Comptroller

[fol. 2089]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 32

State of New York )  
 ) SS  
 County of New York )

I, K. A. Lawder, being duly sworn, do depose and say that I am a Vice President and Comptroller of Pan American-Grace Airways, Inc.; that I have read and am familiar with the contents of the foregoing document, and that said document is a true and complete copy of Letter Agreement dated August 24, 1955 between Pan American-Grace Airways, Inc. and National Airlines, Incorporated.

s. K. A. LAWDER

Sworn and subscribed to  
 before me this 29th day  
 of August, 1955.

s. MARY M. QUINN  
 Notary Public

[fol. 2090]

TELEPHONE  
 MURRAY HILL 6-7100

CABLE ADDRESS  
 "PANAGRA"

(Emblem)

## PAN AMERICAN-GRACE AIRWAYS, INC.

EXECUTIVE OFFICES

CHRYSLER BUILDING — NEW YORK 17, N.Y.

August 24, 1955

National Airlines, Inc.  
 Aviation Building  
 3240 N. W. 27th Avenue  
 Miami 42, Florida

Dear Sirs:

Referring to the Equipment Interchange Agreement  
 dated August 4, 1955, as amended, between your Company,

Pan American World Airways, Inc. and the undersigned Company, this letter when accepted by you will confirm our agreement as follows:

1. For the purpose of paragraph 8 of the Equipment Interchange Agreement, the agreed value of each DC-6B aircraft shall be \$1,300,000 and the agreed value of each DC-7B aircraft shall be \$2,100,000 unless and until otherwise agreed.
2. For the purposes of paragraph 1.6 and the second sentence of paragraph 1.7 of the Financial Supplement to the Equipment Interchange Agreement, it is agreed that the present market value of each of Panagra's DC-6B aircraft is \$1,300,000.

If the foregoing correctly states our agreement, will you kindly sign and return to us one copy of this letter.

Yours very truly,

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice President & Comptroller

ACCEPTED:

NATIONAL AIRLINES, INC.

By /s/ ALEXANDER G. HARDY  
Senior Vice President

[fol. 2091]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 33

November 28, 1955

Mr. Alexander G. Hardy  
Senior Vice President  
National Airlines, Inc.  
Wyatt Building  
Washington, D. C.

Dear Mr. Hardy:

With respect to the Financial Supplement to the Interchange Agreement dated August 4, 1955, as amended, this

will confirm our mutual understanding of the intent and agreement with respect to the following:

1. *Section 1.13*—With respect to the second sentence of this Section, it is understood that in the event National's reported depreciation expense is distorted by the use of fully-depreciated flight equipment and it is necessary to adjust National's cost to reflect a normal level of cost, such adjusted depreciation will be determined on an available seat mile basis as contemplated in Section 1.13.
2. *Section 1.6*—Where reference is made in the first and second paragraphs of this Section 1.6 to units devoted to the interchange operation, it means "units or fractions thereof".

In computing average daily revenue hour utilization as provided in the second paragraph of this Section, it is understood that if at any time such average daily revenue hour utilization is distorted by the phasing out of National's service of the type of aircraft involved, appropriate adjustment will be made to reflect a normal level of utilization.

3. *Section 2*—This Section provides that determination of billing of the rental of flight equipment and related equipment supplied to lessee by lessor pursuant to the Interchange Agreement for each 12 month period beginning January 1 shall be based on National's cost for the year ended June 30 following, and that pending determination of such costs based on National's final financial operating reports to the Civil Aeronautics Board, interim billings will be made on an estimated basis at the rates in effect during the preceding period. Since [fol. 2092] National's fiscal year ends as of June 30 of each year and in order to avoid long periods of interim billings between January 1 of each year and the issuance of National's final financial and operating reports to the Civil Aeronautics Board for the fiscal period ended June 30, it is agreed that the annual period for the determination of billings of the rental of flight equipment and related equipment supplied to the lessee by the lessor shall begin as of July 1 of each year and be based

upon National's cost for the year ended June 30 immediately preceding.

In the event it is deemed necessary to deal with this matter by supplement to the Interchange Agreement, we will accomplish this promptly. Meanwhile, will you please sign a copy of this letter indicating your agreement with the foregoing.

Yours very truly,

PAN AMERICAN-GRACE AIRWAYS, INC.

/s/ K. A. LAWDER

K. A. Lawder

Vice President & Comptroller

NATIONAL AIRLINES, INC.

/s/ ALEXANDER G. HARDY

Alexander G. Hardy

Senior Vice President

KAL:V

cc: J. C. Brawner

J. C. Pirie

[fol. 2093]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 34

### SUPPLEMENT NO. 3 TO EQUIPMENT INTERCHANGE AGREEMENT

THIS SUPPLEMENTAL AGREEMENT, made this 28th day of November 1955, between NATIONAL AIRLINES, INCORPORATED, a corporation organized and existing under the laws of the State of Florida, hereinafter referred to as "National", PAN AMERICAN WORLD AIRWAYS, INC., a corporation organized and existing under the laws of the State of New York, hereinafter referred to as "Pan American", and PAN AMERICAN-GRACE AIRWAYS, INC., a corporation organized and



existing under the laws of the State of Delaware, hereinafter referred to as "Panagra".

**· WITNESSETH THAT:**

WHEREAS, National, Pan American and Panagra entered into an equipment interchange agreement dated August 4, 1955, which was amended by Supplement No. 1 dated August 9, 1955 and Supplement No. 2 dated August 22, 1955, which agreement as so amended is hereinafter referred to as "the Equipment Interchange Agreement"; and

WHEREAS, National, Panagra, Chemical Corn Exchange Bank, Bankers Trust Company, The Chase Manhattan Bank, The Hanover Bank, The First National City Bank of New York and The New York Trust Company are parties to an agreement dated as of November 28, 1955, relating to the discount of certain notes executed and delivered to National by Panagra pursuant to paragraph 1.6 of the Financial Supplement to the Equipment Interchange Agreement, a copy of which agreement is attached hereto, marked "Annex A" and made a part hereof, which agreement, as the same may be amended from time to time, is hereinafter referred to as "the Note Discount Agreement";

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties agree that, in the event Panagra shall, by reason of the failure of National to make any payment as interest as provided in the Note Discount Agreement, pay the then unpaid [fol. 2094] principal amount due on the promissory notes discounted together with an amount equal to interest thereon pursuant to the Note Discount Agreement or issue its own notes in exchange for said promissory notes, then, in addition to any other right or remedy available to Panagra, Panagra shall be subrogated to all rights of the banks, insofar as National is concerned, under the Note Discount Agreement; and, upon notice from Panagra, National shall be deemed to be in default under paragraph 1.6 of the Financial Supplement to the Equipment Interchange Agreement and such default shall be deemed to be a material breach of the Equipment Interchange Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above mentioned.

NATIONAL AIRLINES, INCORPORATED

By /s/ ALEXANDER G. HARDY  
Senior Vice President

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice President

[fol. 2095]

Annex A

THIS AGREEMENT, dated as of November 28, 1955, between PAN AMERICAN-GRACE AIRWAYS, INC. (herein called "Panagra"), NATIONAL AIRLINES, INCORPORATED (herein called "National") and CHEMICAL CORN EXCHANGE BANK, BANKERS TRUST COMPANY, THE CHASE MANHATTAN BANK, THE HANOVER BANK, THE FIRST NATIONAL CITY BANK OF NEW YORK and THE NEW YORK TRUST COMPANY (herein called the "Banks"),

# WITNESSETH THAT:

WHEREAS, the Banks entered into a Credit Agreement, dated June 10, 1954 (herein called the "Panagra Agreement"), with Panagra providing for the extension of credit to Panagra from time to time by the Banks, respectively, in an aggregate principal amount of \$8,000,000; and

WHEREAS, Chemical Corn Exchange Bank, The First National City Bank of New York and The First National Bank of Miami entered into an Agreement, dated October 17, 1952 (herein called the "National Agreement"), with National providing for the making of loans by said banks

to National and the National Agreement contains certain covenants and agreements on the part of National; and

WHEREAS, National, Pan American World Airways, Inc. (herein called "Pan American") and Panagra entered into an Equipment Interchange Agreement, dated August 4, 1955, as amended, and, pursuant to the provisions thereof Panagra has executed and delivered to National six non-interest bearing promissory notes, five thereof being each in the principal amount of \$633,333.33 and one thereof being in the amount of \$633,333.35, and National proposes to [fol. 2096] sell and endorse, without recourse, one of said promissory notes to each of the Banks;

NOW, THEREFORE, the parties hereto respectively agree as follows:

FIRST: In order to induce each of the Banks to purchase, at the principal amount thereof, one of said promissory notes, National will from time to time pay to each of the Banks, with respect to the promissory note held by said Bank, an amount equal to interest, at the rate of 3 3/4 % per annum, payable quarterly beginning January 1, 1956 and on the first day of each calendar quarter thereafter, on the principal amount thereof outstanding during the period or portion thereof for which interest is then being paid, less an amount, if any, equal to interest, calculated at the same rate, on any amortization payments, including any accelerated payments, pursuant to the provisions of the promissory notes, of this agreement or of paragraph 1.6 of the Financial Supplement of the Equipment Interchange Agreement, as amended, remaining unpaid beyond the due date thereof, which amount shall be an obligation of Panagra and which Panagra hereby agrees to pay on demand. If the maturity of all of the principal of said promissory notes outstanding shall be accelerated as provided therein, such payment as interest by National shall be made upon demand only to the date of such accelerated maturity.

SECOND: Further in order to induce the Banks to purchase from National the promissory notes as above provided, Panagra hereby agrees with each Bank that, upon any failure of the due and punctual payment of the amount

above agreed to be paid by National as interest on said [fol. 2097] promissory note purchased by said Bank when and as each such payment shall become due and payable as above provided, within ten days after notice in writing of any such failure, Panagra at its option will either (a) pay to said Bank the unpaid principal amount of the promissory note held by it, together with an amount equal to interest thereon, at the rate above specified, accrued to the date of such payment from the first date with respect to which such payment as interest has not been made by National, or (b) issue to said Bank, upon the surrender to Panagra by said Bank of the said promissory note and the Note or Notes, if any shall then be held by said Bank, outstanding under the Panagra Agreement, its new Note of the tenor and in the form provided by the Panagra Agreement, in an amount equal to the sum of the unpaid principal amounts of said promissory note and Panagra Note or Notes so surrendered, which new Note shall be issued as of and bear interest from the date of the default by National in the payment of interest, payable in equal consecutive quarterly instalments beginning with the first day of January, April, July or September, as the case may be, next succeeding the date of such exchange and ending October 1, 1962. Panagra will, at the time of the surrender, pay to each Bank an amount equal to the interest in default on the promissory note surrendered by it. Said new Notes shall be deemed to have been issued under the Panagra Agreement and each of the Banks agrees to accept said new Note and to surrender said promissory note and Panagra Note or Notes, if any, notwithstanding the fact that the time for the making of loans under the Panagra Agreement may have expired, provided, however, that any issue [fol. 2098] of such new Notes at a time when there shall exist any default under the terms of the Panagra Agreement shall not be deemed a waiver of such default or the effects thereof with respect to the Notes, including the new Notes, outstanding under the Panagra Agreement subsequent to any such exchange.

Panagra further agrees that, unless and until the exchange provided for in the foregoing paragraph of this

section shall take place, it will, in each calendar year beginning with the year 1956 so long as any Notes shall be outstanding under the Panagra Agreement, make a prepayment or prepayments thereon, without penalty, of or aggregating not less than \$150,000 or such lesser amount as shall equal the then unpaid balance of such Notes, each such prepayment to be applied in the manner provided in the Panagra Agreement with respect to voluntary prepayments thereunder.

Panagra further agrees that neither the rights of any Bank as the holder of the promissory note purchased by it or of any successor to said Bank shall be subject to any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach by National of any of its obligations arising under or out of the Equipment Interchange Agreement or out of any indebtedness or liability, however arising, at any time ~~owing by~~ National to Panagra. Panagra further agrees that in the case of each payment or prepayment made by it, with respect to the promissory note which may be held by any Bank it will make a payment or prepayment, as the case may be, in a similar amount with respect to the promissory note held by each other Bank.

Panagra further agrees with each of the Banks that so long as any of said promissory notes purchased by said [fol. 2099] Bank shall remain outstanding Panagra will perform and observe the conditions, covenants and agreements contained in the Panagra Agreement and any breach or failure by Panagra to perform or observe any of such conditions, covenants and agreement shall be a default under this agreement notwithstanding the fact that the Notes issued under the Panagra Agreement may have been paid prior to the payment of the final instalment of principal of said promissory notes; and without limiting the generality of the foregoing, further agrees that in any computation of the unpaid principal amount of Notes required by the Panagra Agreement to be made from time to time the unpaid principal amount of Notes shall include the unpaid principal amount of said promissory notes at the time outstanding.

Panagra further agrees that if, at any time, it shall fail to pay any instalment of principal of said promissory notes when the same shall become due or shall fail to make any prepayment as required by the terms thereof or shall fail to observe any of its agreements contained in this agreement, then any and all Notes issued under the Panagra Agreement at the time outstanding shall thereupon become due and payable without presentation, protest or notice of any kind, all of which are hereby waived.

THIRD: The Banks and Panagra agree that the commitment under the pursuant to the Panagra Agreement of each Bank which shall purchase from National a promissory note of Panagra, as above provided, shall be reduced in an amount equal to the principal amount of the promissory note so purchased by said Bank.

[fol. 2100] FOURTH: Chemical Corn Exchange Bank and The First National City Bank of New York, as parties to the National Agreement, hereby consent and agree that the agreement herein contained by National to pay to the Banks respectively amounts equivalent to interest on the promissory notes shall not be considered to constitute a violation of any covenant or agreement on the part of National contained in the National Agreement.

FIFTH: All payments as interest hereunder and all payments of instalments of principal and prepayments under the terms of the promissory notes shall be made to Chemical Corn Exchange Bank on behalf of all of the Banks, all of such payments to be applied pro rata on the amount due to all of the Banks.

This agreement and the promissory notes shall be deemed to be contracts made in the State of New York and entered into under and pursuant to the laws of said State and shall be governed, construed and enforced in accordance with the laws of said State.

This agreement may be executed in two or more counterparts each of which shall constitute an original but which, taken together, shall constitute one instrument.



IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

PAN AMERICAN-GRANT AIRWAYS, INC.

By /s/ K. A. LAWDER  
Vice President

NATIONAL AIRLINES, INCORPORATED

By /s/ J. C. BRAWNER  
Vice President

[fol. 2101]

CHEMICAL COGN EXCHANGE BANK

By /s/ G. V. AZOV  
Vice President

BANKERS TRUST COMPANY

By /s/ H. C. STRAIT  
Vice President

THE CHASE MANHATTAN BANK

By /s/ J. P. MITCHELL  
Vice President

THE HANOVER BANK

By /s/ J. EDW. JOHNSON

THE FIRST NATIONAL CITY BANK OF NEW YORK

By /s/ RILEY P. STEVENSON  
Vice President

THE NEW YORK TRUST COMPANY

By /s/ WILLIAM R. CROSS JR.  
Vice President

The undersigned hereby joins in the consent and agreement given by Chemical Corn Exchange Bank and The First National City Bank of New York in paragraph FOURTH of the above agreement.

THE FIRST NATIONAL BANK OF MIAMI

By /s/ R. M. McDONALD  
Vice President

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[fol. 2102]

• PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 35

(Letterhead of Pan American-Grace Airways, Inc.,  
New York, N. Y.)

[Stamp—Received—May 27, 1957]

May 27, 1957

Pan American World Airways, Inc.  
135 East 42nd Street  
New York 17, N. Y.

ATTENTION: Mr. Erwin Balluder, Vice President  
Gentlemen:

Enclosed herewith for your consideration and acceptance is a letter dated April 16, 1957 which we have addressed to National Airlines and which National has accepted, relating to the application of the new Uniform System of Accounts to the Financial Supplement to the Equipment Interchange Agreement dated as of August 4, 1955 between National, Pan American and Panagra.

Item number 4 in said letter provides for payment by National directly to you of maintenance charges related to the operation of the aircraft over National's route pursuant to said Equipment Interchange Agreement. It is understood that the arrangement provided for in said Item 4 is not intended to modify the contractual arrangements between us with respect to maintenance of aircraft and the amounts to be received by Pan American therefor

as set forth in the Through Flight Agreement dated July 30, 1946, as amended, including Paragraph 62 thereof, except that National will pay to you directly the amount referred to in said Item 4 of the letter dated April 16, 1957.

In consideration of your acceptance of said letter dated April 16, 1957, it is agreed that Panagra will be responsible to you for any failure or delay in such payment by National so that Pan American will receive in total all amounts due it under the aforesaid Through Flight Agreement dated July 30, 1946, as amended.

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, Inc.

By /s/ DOUGLAS CAMPBELL

Douglas Campbell

Vice President & General Manager

[fol. 2103]

PAN AMERICAN-GRACE AIRWAYS, Inc.

135 East 42nd Street, New York 17, N. Y.

April 16, 1957

National Airlines, Incorporated

3240 N. W. 27th Avenue

Miami 42, Florida

Attention: Mr. J. C. Brawner

Senior Vice President & Treasurer

Dear Sirs:

As you are aware, the Civil Aeronautics Board prescribed a Uniform System of Accounts effective January 1, 1957 which generally revised the accounting procedures for air carriers and included the establishment of a new chart of accounts. For purposes of clarification and in order to conform with the revision to the Uniform System of Accounts, it is necessary that we make a corresponding revision in certain account number designations and pro-

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# 63



cedures stipulated in the Financial Supplement to the Equipment Interchange Agreement dated as of August 4, 1955, between National, Pan American and Panagra.

Questions have also arisen on the interpretation of certain provisions in said Financial Supplement. In order to resolve these questions of interpretation and record our understanding on the revisions necessary in the Financial Supplement to conform with the changes in the Uniform System of Accounts, we confirm our agreement on the following:

1. Effective January 1, 1957 the account number references and methods of cost determination stipulated in the Financial Supplement to the Equipment Interchange Agreement shall be modified to conform with the Uniform System of Accounts as revised by the CAB effective that date as set forth in the attachment to this letter.
2. For purposes of determining the amount of deposit to be maintained by the lessee with the lessor under Para- [fol. 2104] graph 1.6 of the Financial Supplement and with specific reference to the second paragraph thereof, it is agreed:
  - (a) that in the determination for each quarter year of the "estimated average revenue hours to be flown per day with lessor's aircraft of such type over lessee's routes under the Interchange Agreement", the scheduled hours shall be multiplied by the percentage of actual revenue hours flown by National to scheduled hours over National's route in the Interchange operation during the previous twelve months for the respective type of equipment flown.
  - (b) that in the determination of both "the estimated average revenue hours to be flown per day" and "National's daily average revenue hour utilization during the preceding twelve months" an adjustment will be made in the computation to exclude the effect of extended abnormal operations resulting from any extended work stoppages and other abnormal factors not recurring in regular day-to-day operations of the respective aircraft.

3. With reference to Paragraph 1.7 of the Financial Supplement dealing with the sale of aircraft, it is agreed that for the determination of the amount payable by the lessee to the lessor under the first indented sentence of the first paragraph, 10-13ths of the aggregate related depreciation paid by the lessee to the lessor on the aircraft of the type involved shall be deducted from the agreed value, as defined, of the designated aircraft. This allocation of depreciation is based upon the relative investment in aircraft to the total investment in flight equipment including spare engines, spare propellers, parts and assemblies used in the determination of the cash deposit required pursuant to Paragraph 1.6 of the Financial Supplement.

4. As the Interchange Agreement provides for through service between New York, Miami and other points on National's Route 31 on the one hand and the Canal Zone and points on Panagra's route in South America on the other hand, it contemplates in substance that each of the three carriers involved will bear its share of maintenance expense incident to operation in its respective sector in accordance with the Financial Supplement to the Interchange Agreement, as amended. In practice, all major maintenance work is performed by Pan American World Airways, Inc.

In order to provide for direct payment by National of maintenance costs attributable to its operation of Panagra aircraft over its sector, it is agreed that effective as of January 1, 1957 National will pay to Pan American amounts corresponding to maintenance costs, both direct and indirect (including related burden, depreciation of ground equipment and related costs of general and administrative expenses) as determined pursuant to Paragraphs 1.12, 1.21, 1.22 and 1.5 of the Financial Supplement to the Interchange Agreement, as amended. It is further agreed that amounts payable by National to Panagra, pursuant to Section 10 of the Interchange Agreement and the Financial Supplement, as amended, will not include any amounts pay-



2200

able by National to Pan American under the provisions of this paragraph.

Will you kindly indicate your agreement to the above by signing the attached copy of this letter.

Yours very truly,

PAN AMERICAN-GRACE AIRWAYS, INC.

/s/ L. H. CLIFTON

L. H. Clifton

Vice President & Comptroller

Enc.

ACCEPTED:

NATIONAL AIRLINES, INCORPORATED

By /s/ J. C. BRAWNER

Date 5/24/57

ACCEPTED:

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ E. BALLUDER

Date 6/4/57

[fol. 2106]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 36

Restatement of account number references and methods of cost determination set forth in the Financial Supplement dated August 9, 1955 to the Equipment Interchange Agreement dated as of August 4, 1955 between National Airlines, Incorporated, Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. to conform with the Uniform System of Accounts as revised by the Civil Aeronautics Board effective January 1, 1957

*Paragraph 1.12—Direct Maintenance—Flight Equipment**Add*

—To direct maintenance costs, as recorded, will be added the value of rotatable parts and assemblies which are retired and charged against the reserve for depreciation.

*Paragraph 1.13—Flight Equipment Depreciation**Delete*

—Entire original paragraph.

*Substitute*

—Depreciation expense shall be based upon National's cost per available seat mile for the same type of flight equipment in the same type of service except that if reported costs of aircraft, engines and rotatable parts and assemblies are based upon a life different than 7 years and 10% residual values the reported costs shall be adjusted to a 7-year basis and 10% residual values in making this determination. In the event that National's reported depreciation expense is distorted by the use of fully-depreciated flight equipment, appropriate adjustment will be made in this expense to reflect the normal level of costs.

In order to continue provision for the element of cost represented by loss in service value or obsolescence of Flight Equipment Expendable Parts—Account 1310 representing items which were formerly classified as Flight Equipment Spare Parts and Assemblies—Account 1608, a proper adjustment will be made in National's cost per available seat mile of Flight Equipment Depreciation to give effect to such cost.

*Paragraph 1.21—Ground and Indirect Maintenance**Delete* —Entire original paragraph.*Substitute* —The Applied Maintenance Burden—flight equipment available seat mile cost of National for the same type of flight equipment in the same type service shall be used.

[fol. 2107]

*Paragraph 1.22—Depreciation**Delete* —Entire original paragraph.*Substitute* —The portion of National's available seat mile cost represented by Applied Maintenance Burden shall include depreciation of shop facilities used in the maintenance of flight equipment.*Paragraph 1.4—Passenger Service Expense**Delete* —Original last paragraph.*Substitute* —The cost of other passenger services to be furnished by lessor shall be based on the cost per available seat mile reported by National in Accounts 5542.9 and 5543.9  
—General Services Purchased and 5553  
—Other Supplies.*Paragraph 1.5—General and Administrative Expense**Delete* —“The amounts reported in Accounts 6641, 6642, 6665, 6666, 6667 and 6672 shall be excluded in total.”*Substitute* —“The amounts reported in Accounts 6840, 6841, 6865 and 6866 shall be excluded in total.”*Delete* —Original last paragraph.*Substitute* —“The remaining general and administrative expenses shall be allocated on the basis of labor costs appearing in Account

groups 5100, 5200, 5300, 5500, 6100, 6200, 6300, 6500 and 6600. This proration shall be by type of equipment with respect to Account groups 5100 and 5200. The total amount of general and administrative expense allocated to the 5300 group shall be re-allocated to the 5200 group of accounts by type of equipment in accordance with the formula set forth in Paragraph 1.21 of this Financial Supplement, as amended."

Pan American Documentary EvidenceAgreements Filed with the CABTable of ContentsVolume 1AGREEMENTS WITH PANAGRA:Through Flight Agreement and Supplements:

<u>Date of Agmt.</u>	<u>Parties</u>	<u>Description</u>	<u>Date Filed CAB</u>	<u>CAB No.</u>	<u>Date Appvd.</u>	<u>Order No.</u>
7/30/46	PAA/PANAGRA	Through Flight Agmt. 1	8/5/46	727	5/5/47	E-570
5/28/47	PAA/PANAGRA	Supp. No. 1	5/28/47			
1/9/48	PAA/PANAGRA	Supp. No. 2	1/14/48	727-A	8/29/50	E-4575
1/28/49	PAA/PANAGRA	Supp. No. 3	2/18/49	727-A/4	8/29/50	E-4575
2/9/49	PAA/PANAGRA	Supp. No. 4	2/18/49	727-A/5	8/29/50	E-4575
5/11/49	PAA/PANAGRA	Supp. No. 5	5/12/49	727-A/6	8/29/50	E-4575
10/18/49	PAA/PANAGRA	Supp. No. 6	10/24/49	727-A/7	8/29/50	E-4575
1/31/50	PAA/PANAGRA	Supp. No. 7	2/28/50	727-A/8	8/29/50	E-4575
12/26/50	PAA/PANAGRA	Supp. No. 8	1/24/51	727-A/9	8/10/55	E-9481
1/24/51	PAA/PANAGRA	Supp. No. 9	2/9/51	727-A/10	8/10/55	E-9481
6/29/51	PAA/PANAGRA	Supp. No. 10	7/27/51	727-A/11	8/10/55	E-9481
1/1/52	PAA/PANAGRA	Supp. No. 11	2/15/52	727-A/12	8/10/55	E-9481
4/10/52	PAA/PANAGRA	Supp. No. 12	4/16/52	727-A/13	8/10/55	E-9481
9/25/52	PAA/PANAGRA	Supp. No. 13	10/13/52	727-A/14	8/10/55	E-9481
5/8/53	PAA/PANAGRA	Supp. No. 14	5/18/53	727-A/15	8/10/55	E-9481
1/20/54	PAA/PANAGRA	Supp. No. 15	4/22/54	727-A/16	8/10/55	E-9481

For Parent Company Agreement considered by CAB as part of Through Flight Agreement,  
see Agreement with Grace.

[fol. 2109]

<u>Date of Agmt.</u>	<u>Parties</u>	<u>Description</u>	<u>Date Filed CAP</u>	<u>CAP No.</u>	<u>Date Appvd.</u>	<u>Order No.</u>
6/29/54	PAA/PANAGRA	Supp. No. 16	8/17/54	727-A/17	8/10/55	E-9481
9/7/55	PAA/PANAGRA	Supp. No. 17	9/23/55	727-A/18	10/13/55	E-9454
8/4/55	PAA/PANAGRA	Supp. No. 18	8/4/55	727-A/18	8/10/55	E-9481
8/7/55	PAA/PANAGRA	Supp. No. 19	8/20/55	727-A/20	Pending	
7/11/55	PAA/PANAGRA	Supp. No. 20	7/23/55	727-A/21	Pending	
12/23/55	PAA/PANAGRA	Supp. No. 21	1/4/56	727-A/25	Pending	

Equipment Interchange Agreement and Supplements

5/4/55	PAA/NAL/PANAGRA	Equipment Inter- change Agmt.	5/4/55	800	8/10/55	E-9481
9/22, 23/55	PAA/NAL/PANAGRA	Supp. No. 2 (Value- ation Agmt. & Inter- change Agmt.)	9/29/55	A/2	9/10/55	E-9481
11/28/55	PAA/NAL/PANAGRA	Supp. No. 3	12/1/55	A/3	12/15/55	E-9481
1/16/57	PAA/NAL/PANAGRA	Unif. Syst. Agmt.	1/16/57	A/3	Pending	

Volume 2Other Agreements with Panagra

1/26/32 to 10/1/54	PAA/PANAGRA	Inter-line tickets all copies, correspondence	5/27/54	810		
6/11/37	PAA/PANAGRA	Dr. Agmt./Grnd. Sv. by PANAGRA/Buenos Aires Airt.	2/20/53	84	2/17/53	E-714
5/13/42	PAA/PANAGRA	Joint Facilities- Columbia, Brazil	5/27/54	807		
10/28/42	PAA/PANAGRA	Apportionment of Revenue	5/27/54	808		
5/25/44	PAA/PANAGRA	Airmail exchange	5/27/54	809		



2206.

{fol. 2110}

Date of Agmt.	Parties	Description	Date Filed CAF	CAF No.	Date Appvd.	Order No.
8/23/45	PAA/PANAGRA	Airmail Service- Operations/Panara (Sp. Eng.)		676-A/2	11/7/52	E-6945
3/3/48	PAA/PANAGRA/ W.R. GRACE & CO.	Gen. Sis. Agcy & Commissions	9/24/48	2172	Pending	
7/14/48	PAA/PANAGRA	Purch. & Shipping Agmt.	7/20/48	2272	1/22/52	E-6948
7/14/48	PAA/PANAGRA/ W.R. GRACE & CO.	Agmt. re Gen. Sis. Agcy. Pch. & Ship- ping & Adm. Sv. to Panagra	7/20/48	2273	Terminated	
9/10/48	PAA/PANAGRA	Gen. Traff/Sls. Agcy. Agt.	9/21/48	2473	11/8/51	E-5842
12/11/51	PAA/PANAGRA	PAA ticket sale on "lift" basis	5/12/52	6133	5/1/52	E-6946
3/6/54	PAA/PANAGRA	Appvl. changes in design	3/27/54	A/1	Pending	
4/24/54	PAA/PANAGRA	Commissions re DCBs	5/17/54	A/1	Pending	
6/26/57	PAA/PANAGRA	Procurement of parts DCBs	7/22/57	A/2	Pending	
6/1, 7 & 26/57	PAA/PANAGRA	Avianca an affil. carrier	7/10/57	A/2	Pending	

2. AGREEMENTS WITH AVIANCA AND SCADTA:

3/11/32	PAA/SCADTA	General Traffic Agt.	5/10/48	166	Terminated	
11/1/45	PAA/AVIANCA	Gen. Traffic/ Sls. Agcy. Agt.	11/11/49	3761	11/8/51	E-5842
12/3/54	PAA/AVIANCA	Gen. Traf/Sls. Agcy. Agt.	12/8/54	8528	Pending	
12/3/54	PAA/AVIANCA	Reimbursement of expenses	7/10/57	A/2	Pending	

[fol. 2111]

2207

<u>Date of Agmt.</u>	<u>Parties</u>	<u>Description</u>	<u>Date Filed CAP</u>	<u>CAP No.</u>	<u>Date Agmt.</u>	
12/3/54	PAA/AVIANCA	PAA 1 <sup>st</sup> designat. affiliates	7/10/57	A/1	Pending	
12/3/54	PAA/AVIANCA	IATA Inter- Traff. Agt.	4/4/55	8842	1/25/55	E-514
6/19/57	PAA/AVIANCA	Amdmt. No. 1 re territory	7/10/57	A/3	Pending	
1/10/58	PAA/AVIANCA	Rel. to terri- tory/Amdmt. No. 2	3/31/58	A/4	Pending	
6/11/58	PAA/AVIANCA	Amdmt. No. 3 - re territory	4/24/58	A/5	Pending	
10/10/58	PAA/AVIANCA	Amdmt. No. 4 - re territory		A/6	Pending	

3. AGREEMENTS WITH BRANIFF:

4/27/48	PAA/BRANIFF	Grnd. Sv. Agt. Havana & San Blas, Panama	4/27/48	1980	5/27/53	E-7416
9/27/48	PAA/BRANIFF	Amdmt. No. 1 re charges	1/13/49	A/1	3/30/49	E-2651
10/31/49	PAA/BRANIFF	Amdmt. No. 2 re charges	12/14/49	A/2	5/27/53	E-7416
12/7/49	PAA/BRANIFF	Amdmt. No. 3 re charges	1/20/50	A/3	5/27/53	E-7416
7/20/50	PAA/BRANIFF	Amdmt. No. 4 re charges	9/21/50	A/4	5/27/53	E-7416
2/10/52	PAA/BRANIFF	Assignmt. to AUSA of Svct. Agt.	5/25/52	A/5	5/27/53	E-7416
11/14/54	PAA/BRANIFF	Participn. in PAA Syst. tariffs	11/30/54	8510	12/29/54	E-8862
6/20/57	PAA/BRANIFF	Amdmt. No. 5 re charges	7/22/57	A/6	9/13/57	E-11789
10/21/57	PAA/BRANIFF	Amdmt. No. 6 re charges	11/22/57	A/7	Pending	

[fol. 2112]

<u>Date of Agmt.</u>	<u>Parties</u>	<u>Description</u>	<u>Date Filed CAB</u>	<u>CAB No.</u>	<u>Date Appvd.</u>	<u>Order No.</u>
4. <u>AGREEMENT WITH GRACE:</u>						
Agreement between J. P. Grace & Co. and Pan American Airways Corporation, dated July 30, 1946; see Trial Brief for United States, Part II, Excerpts from Documentary Evidence, Volume IV, Thru-Flight - Part II, G-267.						
5. <u>AGREEMENTS WITH NATIONAL AIRLINES:</u>						
See above under Agreements with Panagra; Equipment Interchange Agreement and Supplements.						
6. <u>AGREEMENTS WITH PANAIR DO BRASIL:</u>						
11/1/43	PAA/PAB	(General Agency Agmt.) Lr. Agt.	10/14/43	267	11/8/51	E-5842
1/1/44	PAA/PAB	General Agency Agmt.	2/19/44	A	11/8/51	E-5842
6/22/44	PAA/PAB	Lr. Agmt.	11/6/44	A/2	11/8/51	E-5842
12/12/46	PAA/PAB	Agmt.	4/4/47	A/3	11/8/51	E-5842
1/1/47	PAA/PAB	Lr. Agmt. re Syst. Accts.	12/16/47	A/4	11/8/51	E-5842
1/1/47	PAA/PAB	Lr. Agmt. Amdmt. No. 2	9/30/47	A/5	11/8/51	E-5842
2/19/52	PAA/PAB	Lr. Agmt. re commission rates	6/18/52	A/5	7/9/52	E-6587
1/1/55	PAA/PAB	Gen. Traffic/Sls. Agcy. Art.	12/29/55	9620		
12/13/55	PAA/PAB	Lr. fr. PAA/re affil. carriers.		A/1	Pending	
7/1/57	PAA/PAB	Amdmt. No. 1 re territory	8/5/57	A/2	Pending	
12/11/57	PAA/PAB	Amdmt. No. 2 re territory	2/11/58	A/3	Pending	

[fol. 2113]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 37

I, GEORGE FOX, hereby certify that I am Assistant Secretary of Pan American Airways, Inc.; that the attached documents are true and complete copies of the documents evidencing an interline traffic agreement between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. as evidenced by:

1. Letter of January 26, 1932 from Vice President and General Manager, Pan American-Grace Airways, Inc. to President, Pan American Airways, Inc.
2. Letter agreement dated April 14, 1932;
3. Memorandum signed by Passenger Traffic Manager, Pan American Airways, Inc. and dated May 12, 1937;
4. Memorandum signed by Passenger Traffic Manager, Pan American Airways, Inc. and dated August 19, 1938;
5. Memorandum dated June 13, 1939 signed by Vice President of Pan American-Grace Airways, Inc.
6. Memorandum from Passenger Traffic Manager, Pan American Airways, Inc. dated June 22, 1939;
7. Letter from Vice President and General Traffic Manager, Pan American-Grace Airways, Inc. dated November 26, 1943;
8. Memorandum signed by Passenger Traffic Manager, Pan American Airways, Inc. dated August 23, 1945;
9. Memorandum signed by Assistant Comptroller, Pan American Airways, Inc. dated August 31, 1945;
10. Memorandum signed by Passenger Traffic Manager, Pan American Airways, Inc. dated September 4, 1945;
11. Memorandum signed by Assistant Comptroller, Pan American Airways, Inc. dated October 1, 1945.

/s/ GEORGE FOX  
Assistant Secretary

Dated: September 27, 1946

2210

[fol. 2114]

COPY

October 1, 1945

Passenger Traffic Manager

Asst. Comptroller

Traffic

Executive

New York, New York

Miami, Florida

**PAN AMERICAN AIRWAYS—PANAGRA COMMISSION ARRANGEMENT—BALBOA**

**FILE T. C. 4**

We are sorry that we did not make ourselves clear in our memorandum to you of August 31st with respect to the commission exchanged between Panagra and Pan American Airways.

In addition to the arrangement whereby our Panama City office sells Panagra series of tickets and the Panama Agencies sells PAA tickets, on which commission is exchanged at the rate of  $7\frac{1}{2}\%$ , all tickets sold by the Balboa airport are of our own series, but we credit Panagra for the transportation over its lines less  $7\frac{1}{2}\%$  commission. Those tickets which their Balboa office in turn issues for transportation over our lines are credited to us by them less the same  $7\frac{1}{2}\%$  commission. The same is true for tickets issued by any of our on-line stations for transportation over Panagra. That portion of the travel over Panagra is credited to them less  $7\frac{1}{2}\%$  commission.

If we can be of any further assistance to you please let us know.

/s/ illegible

For J. O. Merckling  
Asst. Comptroller

cc: VP&GTM—New York  
Comptroller—New York  
Gen. Traf. Mgr.—Panagra—New York

[fol. 2115]

COPY

September 4, 1945

Assistant Comptroller

Passenger Traffic Manager

Executive

Traffic

Miami

New York

PAA—PANAGRA COMMISSION ARRANGEMENT—  
BALBOA

FILE T. C. 4

Regarding your memorandum of August 31st, what about  
Balboa?Is it correct that there is no exchange of commission on  
tickets sold at Balboa Airport?

R. C. Lounsbury

RCL/mw

cc: VP & GTM—New York  
Comptroller—New York  
Gen. Traf. Mgr.—Panagra—New York

[fol. 2116]

COPY

August 31st, 1945

Passenger Traffic Manager

Asst. Comptroller

Traffic

Executive

New York

Miami, Florida

PAA—PANAGRA COMMISSION ARRANGEMENT—  
BALBOA

FILE T. C. 3

We acknowledge your letter of August 23rd wherein we  
were requested to advise you of the present arrangement  
in connection with interchange of commission, if any, be-  
tween PAA and PANAGRA at Balboa.In this connection we wish to advise that the Panama  
Agencies in Cristobal use our ticket form and report their



2212

sales to us regularly. We allow them 7½% commission on all sales made by them.

Our Panama City office sells PANAGRA's tickets and reports the sales directly to PANAGRA less 7½% commission. The Panama City remittances are made to us and we, in turn, issue PANAGRA credit less 7½% commission for the sales.

/s/ F. S. CULHAM

For J. O. Merckling  
Asst. Comptroller

cc:VP & GTM:NY

General Traffic Manager—PANAGRA—New York

[fol. 2117]

(A I R C O)

August 23, 1945

Asst. Comptroller

Passenger Traffic Manager

(ATTN: F. L. Culham)

Executive

Traffic

Miami

New York

PAA—PANAGRA COMMISSION ARRANGEMENT—  
BALBOA

Can you advise me exactly what the present arrangement is in connection with the interchange of commission, if any, between PAA and PANAGRA at Balboa?

As I understand it, either company will pay the other for commission where tickets are sold by one company for the other at the Airport Office. However, at the City Office in Panama, and perhaps at Cristobal, it may be that commission is being paid in these cases. If commission is being exchanged in the latter instances, will you please advise what the rate is, and also advise particularly whether PAA pays PANAGRA for any commission on tickets issued by PANAGRA's general agency in the Canal Zone.

.....  
B. C. Louinsbury

BCL:mcc

cc VP & GTM—New York

General Traffic Manager—Panagra—New York

[fol. 2118]

COPY

Pan American-Grace Airways, Inc.  
135 East 42nd Street New York, N. Y.

Cable Address  
"Panagra"

November 26, 1943

Dear Dick—

When I was in Balboa arrangements had just been completed whereby Panair and Panagra would not pay each other commission on ticket sales effected at the Airport Office.

However, for sales effected at the City Ticket Office commission continued to be paid.

It was my impression that the Eastern Division, Western Division and Panagra, had agreed on this because a new method of accounting was inaugurated, by which commissions were deducted by each division at the time the tickets were reported. This method was being installed while I was there.

Under the circumstances I assume that Mr. Becerra Soto's plan has been dropped for the time-being. Am I correct in this assumption?

C. de Groot

/s/ CHRIS

CdeG/cd

[fol. 2119]

COPY

June 22, 1939

General Accounting Office  
Accounting  
New York

Passenger Traffic Manager  
Traffic  
New York

## PANAIR—PANAGRA COMMISSION

This will confirm our recent conversation and Mr. Vidal's memo to SAGO Accounts, Lima, dated June 13, (copy of which you have) to the effect that PANAIR and PANAGRA

2214

will pay each other  $7\frac{1}{2}\%$  commission instead of 5% on inter-company sales under the same conditions as previously existed with respect to 5%. This is effective July 1, 1939.

.....  
R. C. Lounsbury

RCL/f

cc: General Traffic Manager—NY  
Comptroller, Panagra—NY

[fol. 2120]

4621

COPY

$7\frac{1}{2}\%$  COMMISSION

NEW YORK

June 13, 1939

SAGO—Accounts

LIMA

This will confirm the arrangements recently completed under which

- (a) Panagra will pay the Grace Line, Furness Prince Line, American Republics Line and Delta Line a 10% Commission on Round South America sea/air tour tickets.
- (b) Panagra, Panair and the steamship companies listed above will pay each other a  $7\frac{1}{2}\%$  commission on transportation sold over each other's lines.
- (c) Panagra, Panair and the domestic airlines in the United States will pay each other a  $7\frac{1}{2}\%$  commission as outlined in your letter 1982 of May 29.

G. Vidal

GV:G

cc SAGO—Traffic  
VEChenea

Panair General Accounting Office—NY

[fol. 2121]

COPY

August 19, 1938

General Accounting Office

Passenger Traffic Manager

Comptroller's

Traffic

New York

New York

# COMMISSIONS—PAN AMERICAN AIRWAYS, INC.— PANAGRA

In accordance with your request the following will review and bring you up to date on the commission arrangements existing between the above two Companies:

In January 1932 an agreement was signed for the reciprocal payment of 5% commission.

In March 1935 this agreement was amplified as follows:

Pan American Airways, Inc. will pay to Pan American-Grace Airways, Inc. 5% commission on tickets sold by Pan American-Grace Airways, Inc. and/or its agents for transportation over the lines of Pan American Airways, Inc. and/or its affiliated companies; provided, however, that in any cases where Pan American-Grace Airways, Inc. has arrangements for the payment to its agents of  $7\frac{1}{2}\%$  or 10% commission, Pan American Airways, Inc. will pay to Pan American-Grace Airways, Inc. an additional  $2\frac{1}{2}\%$  or 5% commission to compensate for the aggregate  $7\frac{1}{2}\%$  or 10% which Pan American-Grace Airways, Inc. must pass along to its agents when tickets are sold by sub-agents for passage over the lines of Pan American Airways, Inc. and/or its affiliated companies.

In the reverse cases, 5% commission will be paid by Pan American-Grace Airways Inc. to Pan American Airways, Inc. on tickets sold by Pan American Airways, Inc. and/or its affiliated companies for transportation over the lines of Pan American-Grace Airways, Inc.; provided, however, that in any cases where Pan American Airways, Inc. and/or its affiliated companies have arrangements for the payment to its or their agents of  $7\frac{1}{2}\%$  or 10% commission, Pan American-Grace Airways, Inc. will pay Pan American

Airways, Inc. an additional  $2\frac{1}{2}\%$  or 5% commission to compensate for the aggregate  $7\frac{1}{2}\%$  or 10% commission which Pan American Airways, Inc. and/or its or their affiliated companies must pass along to its or their agents when tickets are sold by such agents for passage over the lines of Pan American-Grace Airways, Inc.

Subsequent to the above agreements, in May 1937 an understanding was reached between the two companies concerning the offices of both companies at Cristobal and Panama City, as follows:

The offices of both companies at both points will sell passenger and express traffic over the lines of the respective companies and their affiliates regardless of which offices of either company at Cristobal and Panama City is presented with passenger or express business. The above outlined commissions will apply in accordance with which company or its agents make the sales.

[fol. 2122] However, in the case of express traffic, although each company may handle express shipments offered to it for transportation over the lines of the other exactly the same as above, there will be no exchange of commission on such express shipments.

We trust the above will bring you up to date on this situation. Will you kindly be governed accordingly.

-----  
B. C. Lounsbury

BCL/n

cc: Comptroller—Panagra—NY

[fol. 2123]

COPY

PAA

## PAN AMERICAN AIRWAYS, INC.

General Offices—Chrysler Building—New York City

May 12, 1937

To Traffic Managers

From General Traffic Manager

Traffic Department

Traffic Department

Mexico, D.F.—Lima

New York, N.Y.

## SALES—CANAL ZONE

Effective immediately, the Pan American Airways, Inc. and Pan American Grace Airways, Inc. offices in Cristobal and Panama City will each sell passenger and express business over the lines of the respective companies, as well as other companies, regardless of which offices of either company at Panama City and Cristobal is presented with passenger or express business.

As regards passenger sales, the company whose office sells the ticket over the other's lines will receive the usual 5% commission.

In the case of express sales it is desired that these be handled by the office to which the shipper presents business, either Pan American Airways, Inc. or Pan American Grace Airways, Inc., exactly the same as in the case of passenger sales, but there will be no exchange of commission on express shipments. Will you kindly instruct the local offices in Cristobal and Panama City in accordance with the above?

(Sgd) V. E. CHENEA  
General Traffic Manager



2218

[fol. 2124]

C  
O  
P  
Y

**PAN-AMERICAN AIRWAYS, INC.**

**General Offices—122 East Forty-Second Street  
New York City**

**April  
14  
1932**

**Mr. J. D. MacGregor,  
Vice President & General Manager,  
Pan American-Grace Airways, Inc.,  
122 East 42nd Street,  
New York City.**

**Dear Mr. MacGregor:**

**This will confirm our verbal agreement regarding return round trip passengers between Buenos Aires and Montevideo; also through passengers who wish stopovers at either Montevideo or Buenos Aires and then continue their passage via Panair do Brasil, S.A. or Pan American-Grace Airways, Inc.**

**When ticket is issued by Pan American-Grace Airways and passenger returns over Panair do Brasil, S. A., between Buenos Aires and Montevideo, Panair do Brasil, S. A. will bill Pan American-Grace Airways, Inc. for the published one way tariff between these two points less ten per cent (10%). Also, when through passenger wishes stopover at Buenos Aires and then continues passage over Panair do Brasil, S.A., Pan American-Grace Airways will be billed at the regular published tariff between Buenos Aires and Montevideo.**

**When ticket is issued by Panair do Brasil, S. A. and passenger returns over Pan American-Grace Airways, Inc., between Buenos Aires and Montevideo, Pan American-Grace Airways, Inc., will bill Panair do Brasil, S.A. for**

the published one way tariff between these two points less ten per cent (10%). When through passenger wishes stopover at Montevideo, and then continues passage over Pan American-Grace Airways, Inc.; Panair do Brasil, S. A. will be billed at the regular published tariff between Montevideo and Buenos Aires.

If this is in accordance with your understanding please sign and return the attached copy to indicate your approval.

Very truly yours,

PAN AMERICAN AIRWAYS, INC.

By /s/ V. E. CHENEA

V. E. Chenea, General Traffic Mgr.

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ J. D. MacGREGOR

J. D. MacGregor, Vice President  
& General Manager.

VEC FP

[fol. 2125]

PAN AMERICAN-GRACE AIRWAYS, INC.

New York, N.Y.

January 26, 1932

Mr. J. T. Trippe, President  
Pan American Airways, Inc.  
New York, N.Y.

My dear Mr. Trippe:

This will confirm our verbal agreement by which Pan American Airways, Inc. will pay to Pan American-Grace Airways, Inc. in South America 5% commission on tickets sold by them or their agents for transportation over Pan American Airways, Inc. lines.

A similar 5% commission will be paid by Pan American-Grace Airways, Inc. to Pan American Airways, Inc. for tickets sold by them or their agents for transportation over Pan American-Grace Airways, Inc. lines.

The same commission will be paid for the transportation of air express over the respective lines, excluding, of course, valuation and handling charges.

This agreement will be in effect for the period of one year from February 1, 1932 and may be cancelled by either party by giving thirty days written notice.

The details as to the method for carrying out this agreement will be arranged with Mr. Vidal so that this arrangement can be given prompt effect.

It is, of course, understood that the above commission refers to tickets sold by your sectional offices and outside agents and this arrangement is without prejudice to any portion of the cost of your New York Traffic Department which we may arrange to pay.

I am sending this to you in duplicate, and will you please return me one copy with your conformity.

Very truly yours

PAN AMERICAN-GRACE AIRWAYS, INC.

(Sgd) J. D. MacGREGOR

Vice President & General Manager

[fol. 2126]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 38

[Handwritten notation—NY file PAA (illegible)]

COPY

COPY

PAN AMERICAN AIRWAYS, INC.

General Offices—Chrysler Building—New York City

June 11, 1937

Pan American Grace Airways, Inc.,  
135 East 42nd Street.  
New York, N. Y.

Gentlemen:

We plan to operate a land plane service between Rio de Janeiro, Brazil, Asuncion, Paraguay and Buenos Aires,

Argentina and desire to make the first trip southbound into Buenos Aires July 5th, or July 6th, 1937, the first trip northbound out of Buenos Aires July 7th, 1937. We expect to operate initially with a Lockheed electra plane shifting later to operation with a Douglas D. C. 3. For the present this service will be confined to one round trip per week due to arrive in Buenos Aires on Mondays, or Tuesdays, and to depart from Buenos Aires on Wednesdays.

As we have no land plane facilities or landing field at Buenos Aires we desire to make use of your facilities at that point including landing field, radio facilities, and shelter and servicing for the plane during its lay over in Buenos Aires.

If you are willing to provide these facilities and services for our operation, it is suggested that we compensate you therefor on the following basis:

- (a) For the utilization of all said facilities, and the services of your personnel required for their maintenance and operation including ordinary line service to the plane, we hereby propose to pay to you a proportion of the total cost of operating the said airports, including pay of personnel, expenses of operation, maintenance and communications, such proportion being calculated as follows:

The number of landings of airplanes of this Company at your airport at Buenos Aires multiplied by the licensed useful load of the said airplanes shall constitute the numerator of the fraction representing this company's share of the said total cost at such airport; the number of landings of airplanes of both this company and your Company at the said airport multiplied by the licensed useful load of the said airplanes shall be the denominator of the said fraction.

- [fol. 2127] (b) For any maintenance or repair work which we may request you to do upon our plane or planes, over and above routine line servicing, we hereby propose to pay you the actual cost of labor, plus

150% of such cost for overhead, and the actual cost of materials, plus 20% of such cost for overhead.

If the above arrangement is satisfactory to you will you kindly sign the duplicate original of this letter and return it to us?

Very truly yours,

PAN AMERICAN AIRWAYS, INC.

By /s/ (illegible)  
Vice President

ACCEPTED

PAN AMERICAN GRACE AIRWAYS, INC.,

By /s/ J. D. MacGREGOR

[fol. 2128]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 39

(Letterhead of Pan American-Grace Airways, Inc.,  
New York, N. Y.)

May 13, 1942

Pan American Airways, Inc.  
135 East 42nd Street  
New York, New York

Dear Sirs:

In order to compensate you or your subsidiary, Panair do Brasil, for the facilities used by Panagra at Corumba, Brazil, we are agreeable to do so on the basis of a joint facilities arrangement on the following basis.

The cost of the facilities of Operations and Communications used by Panagra to be proportioned between the companies on the basis of Ton-Landings.

For any maintenance or repair work on our planes over and above routine line servicing, we would pay the actual cost of labor, plus 150% of such cost for overhead, and the actual cost of materials, plus 20% of such cost for overhead.

Fuel furnished to Panagra planes would be at cost as the work involved in storage and fueling of planes would be compensated for under the joint facilities arrangement. Passenger supplies, as well as any other supplies excepting spare parts, would be charged at cost.

The cost of operating the staff house in Corumba should not be included in the Joint Facilities calculations until further notice. Panagra will continue to reimburse Panair for the use of the staff house on a fixed rate basis per man.

It is understood and agreed that the Joint Facilities billings to Panagra would be supported by complete details.

If the above arrangement is satisfactory to you will you kindly sign the duplicate original of this letter and return it to us.

Yours very truly,

PAN AMERICAN-GRACE AIRWAYS, INC.

/s/ (Illegible)  
Vice President

ACCEPTED

PAN AMERICAN AIRWAYS, INC.

By /s/ (Illegible)  
Vice President

[fol. 2129]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 40

(copy)

October 28, 1942

The Postmaster General  
Post Office Department,  
Washington, D. C.

Dear Sir:

In connection with the final rate decisions issued by the Civil Aeronautics Board in Dockets No. 716 and No. 298, you are advised that Pan American-Grace Airways, Inc.,



and Pan American Airways, Inc. have agreed, effective September 1, 1942, to the following apportionment of north-bound mail revenue received for mail accepted by Pan American-Grace Airways, Inc. from the various Post Offices in its route and destined to the United States or beyond. Such apportionment is to be made after provision for payment to the United States Post Office Department for services within the United States, it being understood that your department collects directly from the foreign Governments for transportation beyond the United States.

Country of Origin	Percentage of revenue to be apportioned Pan American-Grace Airways, Inc.	Percentage of revenue to be apportioned Pan American Airways, Inc.
Argentina*	77.8%	22.2%
Chile	74.4%	25.6%
Bolivia	67.6%	32.4%
Peru	59.5%	40.5%
Ecuador	44.8%	55.2%
Colombia	30.5%	69.5%

It is understood that Pan American Airways, Inc. shall not be responsible for the collection of the revenue in question or for payment to the United States Post Office Department for services within the United States, all of which will be settled between Pan American-Grace Airways, Inc. and that Department, and that amounts payable to Pan American Airways, Inc. will become payable from Pan American-Grace Airways, Inc. immediately upon completion of the carriage by Pan American Airways, Inc. of the mail to which the payments relate. During the period from July 1, 1942 through August 31, 1942, the percentage of revenue to be apportioned Pan American-Grace Airways, Inc. shall be determined in the manner set forth above and the entire balance shall be payable to the United States (Vol. 2130) Post Office Department, it being understood that no other payment to, or deduction by, the United States

\* This includes mail originating in Uruguay and Paraguay so long as it is cleared through the Buenos Aires, Argentine, Post Office.

Post Office Department will be made in respect of such mail from Pan American Grace Airways, Inc. or Pan American Airways, Inc.

This agreement is subject to cancellation by either party upon thirty days' written notice to the other party and to the Postmaster General.

Respectfully yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

G. VIDAL

Vice President and Comptroller

PAN AMERICAN AIRWAYS, INC.

J. C. ROOP

Vice President and Treasurer

[fol. 2131]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 41

[Handwritten notation—Jan. 1, 1947]

PAN AMERICAN-GRACE AIRWAYS, INC.

"Panagra"

GUSTAVO VIDAL, being duly sworn, deposes and says that he is a Vice President of Pan American-Grace Airways, Inc. and that the two attached memoranda, dated May 25, 1944, are true and complete evidence of agreements between Pan American-Grace Airways, Inc. and Pan American Airways, Inc., which agreements concern airmail exchanges between the two companies at Balboa and Buenos Aires and concerning northbound United States mail originating in Buenos Aires; and that he is familiar with all the terms and conditions of such agreements.

(Sgd.) G. VIDAL

Sworn to before me this  
27th day of September, 1946.

[fol. 2132] C  
O  
P  
Y

**MEMORANDUM CONCERNING AIRMAIL  
EXCHANGES BETWEEN PANAGRA AND  
PANAIR AT BALBOA AND  
BUENOS AIRES**

Airmail (other than United States mail) originating in countries served by Panagra and delivered to Panair either at Balboa or Buenos Aires for onward carriage, as well as airmail (other than United States mail) originating in countries served by Panair, delivered to Panagra at Balboa or Buenos Aires for onward carriage, are the subject of financial liquidations as follows based upon weights of mails recorded at points of exchange.

**BALBOA**

Panagra pays Panair and Panair pays Panagra the established U. S. currency Panamian rates per pound from point of exchange to country of destination.

**BUENOS AIRES**

Same remarks, except that liquidations are based upon the established postal gold franc rates instead of U. S. currency rates.

5/25/44

[fol. 2133] C  
O  
P  
Y

**MEMORANDUM CONCERNING NORTHBOUND  
UNITED STATES MAIL ORIGINATING  
IN BUENOS AIRES**

By Gentlemen's Agreement entered into between Panagra and Panair, the Buenos Aires Agency representing both

companies is attempting to equalize (through the Argentine Post Office Department) the weights of northbound U. S. mail originating in Buenos Aires, despatched via the west and east coasts of South America. The purpose of this attempted equalization of weights is that the revenue of Panagra and Panair may be approximately the same over a period of time.

5/25/44

[fol. 2134]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 42

*Translation*

CONTRACT ENTERED INTO BETWEEN PAN AMERICAN AIRWAYS, INC. AND PAN AMERICAN-GRACE AIRWAYS, INC. covering operations in the Republic of PANAMA.

In the city of New York, State of New York, United States of America, on August 23, 1945, between the undersigned, namely—Mr. Howard B. Dean, Vice President, in the name and representation of PAN AMERICAN AIRWAYS, INC.; hereinafter called PANAIR, and Mr. Harold J. Roig, President, in the name and representation of PAN AMERICAN-GRACE AIRWAYS, INC., hereinafter called PANAGRA, the contract containing the following clauses has been entered into:

FIRST: PANAIR executed a contract with the Government of the Republic of Panama for the establishment of an air transport service on March 8, 1929, which was amplified by a supplementary contract signed by the same parties on May 29, of the same year; said agreements were approved by the Executive Power of the Republic of Panama pursuant to Law 48 of 1932, with several additions and amendments.

SECOND: On December 6, 1929, after approval by the Executive Power, PANAIR transferred to PANAGRA, in relation to the South American countries served by the latter, some of the rights pertaining (or—belonging) to it by

virtue of the contracts mentioned in the preceding clause, and upon the enactment of Law 48 of 1932, the rights acquired by PANAGRA were made subject to the additions and amendments contained in that same law.

**THIRD:** On April 28, 1930, the Government of Panama and PANAGRA executed a contract designated No. 14, [fol. 2135] pursuant to which the tariffs relating to the transportation of mail to the Republics of South America were amended. (or—revised)

**FOURTH:** In accordance with the provisions of Law 48 of 1932, and Contract No. 43 of December 28, 1943, entered into between the Government of Panama and PANAIR, the operating permit granted to the latter expired on December 28, 1943; said permit was renewed for a period of one year counting from said date.

**FIFTH:** By contract No. 45 of December 27, 1944, and, further, as specified in Resolution No. 1808 of June 14, 1945, issued by the First Section of the Ministry of Government and Justice of the Republic of Panama, said contract of PANAIR was renewed until December 29, 1945.

**SIXTH:** By Resolution No. 1479 of July 21, 1944, issued by the Ministry of Government and Justice of the Republic of Panama, PANAIR was authorized to transfer to PANAGRA the corresponding rights emanating from the aforesaid renewed contract, which terminated on December 28, 1944; however, because of unforeseen and inevitable delays, it has not been possible until now to verify said transfer, which, hereinafter and by virtue of this instrument, is verified.

**SEVENTH:** That pursuant to the above-mentioned Resolution No. 1808 of June 14, 1945, the Government of Panama granted to PANAIR the corresponding authorization to transfer to PANAGRA such rights as might appertain to the latter, derived from the renewed contract of PANAIR, which will expire on December 29, 1945.

**EIGHTH:** With the object, first, of insuring that the registers (or—records) in Panama will be full and complete with respect to the rights of PANAGRA, and, second,

[fol. 2136] that PANAGRA will continue enjoying all rights with respect to the renewed contract between the Government of Panama and PANAIR, which will expire on December 29, 1945, PANAIR hereby conveys and transfers to PANAGRA the operating rights granted to PANAIR by the aforesaid renewed contract which will expire on December 28, 1945, it being understood that the rights transferred are those concerning air transportation verified between Panama;\*(?) it is understood, further, that PANAGRA, as transferee, acquires with respect to the National Government of Panama, each and all of the obligations which the transferer, PANAIR, has at present, and that the transferee will be directly responsible for default in its undertakings in relation to the Government of Panama.

NINTH: In accordance with clause 22 of Contract No. 8 bis of March 8, 1929, entered into between PANAIR and the Government of Panama, this contract of transfer has been previously authorized by means of the above-mentioned Resolutions, namely, No. 1479 of July 21, 1944, and No. 1808 of June 14, 1945, both issued by the Ministry of Government and Justice and of the Republic of Panama.

IN WITNESS whereof this document is signed in triplicate in the city of New York, State of New York, State of New York, United States of America, on August 23, 1945.

PAN AMERICAN AIRWAYS, INC.

By (sgd.) HOWARD B. DEAN  
Vice President

PAN AMERICAN-GRACE AIRWAYS, INC.

By (sgd.) HAROLD J. ROIG  
President

\* Apparently several words have been omitted from the Spanish text.

RLG



[fol. 2137]

**CONTRATO CELEBRADO ENTRE PAN AMERICAN  
AIRWAYS, INC. Y PAN AMERICAN-GRACE AIR-  
WAYS, INC. SOBRE OPERACIONES EN LA  
REPUBLICA DE PANAMA**

En la ciudad de Nueva York, estado de Nueva York, Estados Unidos de América, el día veintitres de agosto de mil novecientos cuarenta y cinco, entre los suscritos, a saber: El señor Howard B. Dean, Vice-Presidente, en nombre y representación de PAN AMERICAN AIRWAYS, INC., que en adelante se llamará PANAIR, y el señor Harold J. Roig, Presidente, en nombre y representación de PAN AMERICAN AIRWAYS, INC., que en adelante se llamará PANAGRA, se han celebrado el contrato que se expresa en las siguientes cláusulas:

**PRIMERA:** PANAIR celebró un contrato con el Gobierno de la República de Panamá para el establecimiento de un servicio de transportes aéreos el día ocho de marzo de mil novecientos veintinueve, el cual fué adicionado por un contrato complementario suscrito por lo mismos el día veintinueve de mayo del mismo año, convenios que fueron aprobados por el Poder Ejecutivo de la República de Panamá por media de la Ley cuarenta y ocho de mil novecientos treinta y dos con algunas adiciones y reformas.

**SEGUNDA:** El día seis de diciembre de mil novecientos veintinueve, previa aprobación del Poder Ejecutivo, PANAIR cedió a PANAGRA, con relación a los países suramericanos servidos por esta última, algunos de los derechos que la correspondían en virtud de los contratos mencionados en la cláusula anterior, y al dictarse la Ley cuarenta y ocho de mil novecientos treinta y dos los derechos adquiridos por PANAGRA quedaron sujetos a las adiciones y reformas contenidas en esa misma ley.

**TERCERA:** El día veintiocho de mil novecientos treinta el Gobierno de Panamá y PANAGRA celebraron un contrato marcado con el número catorce por medio del cual se reformaron las tarifas referentes al transporte de correo aéreo a las repúblicas de la América del Sur.

**CUARTA:** De acuerdo con los términos de la Ley cuarenta y ocho de mil novecientos treinta y dos y el contrato número cuarenta y tres del veintiocho de diciembre de mil [fol. 2138] novecientos cuarenta y dos celebrado entre el Gobierno de Panamá y PANAIR, el permiso para operaciones otorgado a esta última expiró el día veintiocho de diciembre de mil novecientos cuarenta y tres, dicho permiso fué renovado por el término de un año a partir de esa fecha.

**QUINTA:** Por contrato número cuarenta y cinco de fecha veintisiete de diciembre de mil novecientos cuarenta y cuatro, y nuevamente, según consta de la solución número 1808 de fecha catorce de junio de mil novecientos cuarenta y cinco, expedida por la Sección Primera del Ministerio de Gobierno y Justicia de la República de Panamá, el citado contrato de PANAIR fué prorrogado hasta el veintinueve de diciembre de mil novecientos cuarenta y cinco.

**SEXTA:** Por resolución número 1479 de fecha veintiuno de julio de mil novecientos cuarenta y cuatro expedida por el Ministerio de Gobierno y Justicia de la República de Panamá, PANAIR fué autorizada para traspasar a PANAGRA los derechos correspondiente emanadas del contrato prorrogado y citado, que terminado en veintiocho de diciembre de mil novecientos cuarenta y cuatro; pero por demoras imprevistas o inevitables no fué posible hasta ahora verificar dicho traspaso, el que, más adelante y por este instrumento, se verifica.

**SEPTIMA:** Que por la ya citada resolución número 1808 de fecha catorce de junio de mil novecientos cuarenta y cinco el Gobierno de Panamá concedió a PANAIR la correspondiente autorización para traspasar a PANAGRA los derechos que a ésta le correspondiera, derivados del contrato prorrogado de la PANAIR, que expirará el veintinueve de diciembre de mil novecientos cuarenta y cinco.

**OCTAVA:** Con el objeto, a primero, de que los registros en Panamá sean cabales y completos respecto de los derechos de PANAGRA, y segundo, de que PANAGRA siga gosando de todos derechos respecto del contrato prorrogado entre

el Gobierno de Panamá y PANAIR que expirará el día veintinueve de diciembre de mil novecientos cuarenta y cinco, PANAIR, cede y traspase por el presente instrumento, a PANAGRA los derechos de operación concedidos [fol. 2139] a PANAIR por el ya citado contrato prorrogado que expirará el veintiocho de diciembre de mil novecientos cuarenta y cinco, entendido que los derechos traspasados son los concernientes a trasportes aéreos verificado entre Panamá; es entendido además que PANAGRA, como cesionaria, adquiere respecto del Gobierno Nacional de Panamá, todas y cada de las obligaciones que ahora tiene la cedente PANAIR y que la cesionaria será responsable directamente de la falta de cumplimiento de sus compromisos en lo que toca al Gobierno de Panamá.

NOVENA: De acuerdo con la cláusula veintidós del contrato número 8 bis de fecha ocho de marzo de mil novecientos veintinueve, celebrado entre PANAIR y el Gobierno de Panamá, el presente contrato de cesión ha sido autorizado previamente por medio de las Resoluciones ya citadas, a saber, la número 1479 de fecha veintiuno de julio de mil novecientos cuarenta y cuatro y la número 1808 de fecha catorce de junio de mil novecientos cuarenta y cinco, ambas expedidas por el Ministerio de Gobierno y Justicia y de la República de Panamá.

En fé de lo cual se firma el presente documento por triplicado en la ciudad de Nueva York, estado de Nueva York, estado de Nueva York, Estados Unidos de América, a los veintitres días del mes de agosto de mil novecientos cuarenta y cinco.

PAN AMERICAN AIRWAYS, INC.

por /s/ HOWARD B. DEAN  
Vice-Presidente

PAN AMERICAN-GRACE AIRWAYS, INC.

por /s/ HAROLD J. ROIG,  
Presidente

[fol. 2140]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 43

PAN AMERICAN-GRACE AIRWAYS, INC.

PAYMENTS TO PARENT COMPANIES  
FOR SERVICES

In the course of the negotiations resulting in the Panagra-Pan American Through Flight Agreement (dated July 30, 1946), it was determined that in view of changed conditions it was necessary to reexamine the basis upon which Panagra pays the parent companies for services rendered. No substantial change had been made in such fees since 1941. With the greatly increased volume and complexity of Panagra's business and the corresponding increase in the demands on the parent companies' services, these fees have become wholly inadequate to cover cost of services performed. Consideration and study by the three parties concerned have been in progress for some time and were in progress when schedules supporting Panagra's rate case were first submitted to the Board's staff. The negotiations have now been completed, and the estimated amounts payable for commissions and reimbursable expenses under various categories as hereafter more fully explained will be found summarized in a table at the end of this memorandum.

Since its organization and in accordance with the plan of organization and operation of Panagra which had been contemplated from the outset, Panagra has availed itself of [fol. 2141] the established facilities, organization and connections of its two parent companies for services rendered. A comprehensive account of the services and fees paid from the organization of the company through 1941 appears in the printed *Statement of Evidence* submitted by Panagra at the time of the first rate case (Dockets Nos. 623 and 716), at pages 36 to 111, inclusive.

Following the exhaustive review which was then made by the Board into the services rendered, a fee on the basis of 12.32¢ per revenue mile was found reasonable, effective

July 1, 1942. The fees were paid on this basis from that date until July 1, 1943. As of this latter date a rate of 11.45¢ per revenue mile was established in the second Panagra rate proceeding. From July 1, 1943, through 1945 the fee was computed at a rate of 11.45¢ for the base revenue miles. In the years 1944-45, as additional revenue mileage was added, the fee was increased by 5.37¢ for such revenue miles, or one-half the rate then applicable to the base mileage, in recognition of the additional services being performed as a result of the increased mileage. In the year 1946 the fees were paid by adopting the same total figure paid in 1945.

While the parent companies have continued to render services under the same categories as before and in general have made the same type of facilities available, the sub-[fol. 2142]stantial changes in Panagra's operations\* since the date of the first rate case have long required a re-examination of the basis for payment and the amount thereof. This reexamination was deferred due to war conditions and preoccupation with operational problems. The basis which has now been determined upon becomes effective January 1, 1947. Not only does the new arrangement place the basis of payment on a sounder business basis, but it reflects the increased services being performed for Panagra by the parent companies as a result of the expansion of Panagra's operations in all departments.

The payments by Panagra to both Pan American and Grace may be conveniently discussed under two general

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\* In this connection attention is directed to Exhibit 1 of Supplement 1, submitted by Panagra on September 30, 1947, in support of its current rate petition. These figures show that since the approximate date of the first rate case, when the amount of the payment for management fees which has since been in effect was determined, Panagra's total miles flown have increased 130% and its total commercial revenues 303%. The increased volume of passenger activity is reflected in the 319% increase for seat miles available, the 272% increase for passenger miles flown, the 180% increase for revenue passengers carried and the very substantial increase of 353% in passenger revenues. Comparable increases in the freight and express category are also reflected. Available ton miles increased 344% and the tons of freight and express carried increased 561%, while freight and express revenues increased 284%.

headings: (a) commissions on sales, and (b) payment for services other than sales.

[fol. 2143] COMMISSIONS ON SALES

The commission basis established follows the schedule of commissions agreed upon at the IATA Convention in Rio de Janeiro, now before the Board for approval.

In accordance with the IATA scale, Panagra will pay a 10% commission on passenger sales and  $7\frac{1}{2}\%$  commission on air express and cargo sales to both Pan American and Grace for their services as General Sales Agents. Where sales are made by sub-agents they will receive  $7\frac{1}{2}\%$  and 5% respectively and the General Agents will receive  $2\frac{1}{2}\%$ .

Panagra has always used Pan American as its General Sales Agent in the United States and elsewhere except where Panagra operates. In South America the arrangements between Panagra and Grace have varied from time to time. Grace has always been the General Sales Agent in all countries where Panagra operates in South America except Argentina. It has supervised the sales activities in all such countries and, at most points, has operated the actual sales offices. Lima and Santiago sales offices, however, have been currently operated by Panagra under Grace supervision.

The present arrangement contemplates that Panagra will not operate any sales offices for its own account. Pan [fol. 2144] American will continue to handle Panagra sales in all parts of the world except where Panagra operates, and Grace will act as Panagra's General Sales Agent in all countries where Panagra operates except the Argentine, where the sales of both Pan American and Panagra are conducted by Compania de Aviacion Pan American Argentina, S.A. As such agents, Pan American and Grace will be responsible to Panagra for the proper and efficient performance of their functions, in accordance with the usual General Sales Agency arrangements.

In the past Panagra has compensated the parent companies for their sales services only partially and through



the lump sum payment, computed on a mileage basis as described above, made to each of them at the end of the year. This payment has included compensation not only for sales, but for all other services as well. While the lump sum has not substantially increased, all services, and particularly the sales services, have increased. The result is that the method of payment has proved increasingly inadequate and unsatisfactory.

Panagra believes that the urgent necessity of promoting and developing new business will best be served by adopting the accepted and proven commercial practice of compensating the company's Sales Agents in relation to their sales, that is, by the payments of sales commissions. Thus [fol. 2145] the sales organizations of the parent companies will have an adequate incentive to develop business, at no cost to Panagra other than the normal going rate of sale commission.

Both Pan American and Grace have the necessary facilities and personnel to fulfill their obligations as General Agents. This is best shown by past experience. The sales offices and their facilities made available by Pan American were described at some length in the hearings on the Through Flight Agreement, and Pan American's obligations are established by explicit provisions of the Agreement. Grace has facilities for generating and servicing traffic in Panama, Colombia, Ecuador, Peru, Bolivia and Chile. It has actually been handling Panagra traffic sales at various points in these countries since Panagra began business. Under this new arrangement Grace handles sales directly. Sales will be handled at the main and branch offices of Grace in each country along the West Coast and Grace will, where necessary, organize and supervise activities of special sales offices.

As a natural corollary of the new basis of compensation to Grace for its traffic services, Grace is required to assume full liability for the regular sales promotion and traffic expenses incurred in the South American countries where it will act as Sales Agent. Under the arrangements heretofore in effect, Panagra incurred and reimbursed Grace

[fol. 2146] for heavy sales expenses at specific points, notably Santiago and Lima. All expenses applicable to the traffic organization must now be borne by Grace, and a preliminary analysis of the accounts indicates that they total \$394,000 in round figures on an annual basis. Panagra will be relieved of this expense. The net adjustment will be somewhat less than this figure as in taking over responsibility for the Lima and Santiago traffic offices commissions earned at these points as a result of traffic sold over other lines will accrue to Grace. These commissions for the year 1947 amount to approximately \$116,000 making Panagra's net adjustment about \$278,000.

The annual amount payable on sales commissions to Pan American and Grace will, of course, vary with the amount of business done in every year. For 1947 the estimated commissions are Pan American \$214,000 and Grace \$509,000.

## PAYMENTS FOR OTHER SERVICES

### *Pan American*

The other services performed for Panagra by Pan American are rendered principally through the System general and administrative organization and the purchasing and shipping organization. The nature of these services has been fully described in material previously submitted to [fol. 2147] the Board (*Statement of Evidence*, Dockets Nos. 623 and 716), so that no detailed discussion is necessary here. While there have been organizational changes to meet changing conditions, and while the extent of the services rendered by some departments of the Pan American organization vary from year to year, as Panagra's needs require the general character of the services rendered remains the same.

Panagra has available to it the experience of the entire System organization of Pan American and can call upon any part of this organization for services at any time. The services rendered include a great variety which can be classified generally as traffic (other than sales, which have been dealt with above); purchasing and shipping; engi-

neering and communications; financial, including accounting, tax and insurance phases; public relations; legal; personnel and industrial relations; and liaison with Government and other official bodies.

In view of Pan American's history and the extent of its operations in the field of international aviation, the experience of its organization is unique. The value to Panagra of having such an organization fully available to it is extremely great. This not only saves Panagra the expense of developing and maintaining such an organization for itself, but it also offers to Panagra a much larger and more experienced organization than it could possibly afford otherwise. Panagra is thus enable to keep abreast of developments in all branches of the industry and to [fol. 2148] obtain at all times the benefits of the services and experience of a large and well-equipped organization.

The availability of all branches of the Pan American organization, even though some may not be required by Panagra at all times, is one of the great advantages to Panagra of the arrangement. At the same time, the actual use made of the organization during any period is one criterion of value. It was recognized that, in determining the amount of compensation for the services, different considerations would apply to different types of services. In general, they fall into two classes. One includes the purchasing and shipping services which are directly related to the volume of purchases and shipments and can therefore be compensated on a commission basis as is done in the case of sales. This is not possible in the case of the other services which have to be considered on a different basis.

Pan American has been making purchases of all types of equipment, materials and supplies for Panagra for many years. These purchasing services have been rendered primarily in the United States where the great volume of the items used by Panagra is acquired. The Pan American purchasing department renders these services not only for Pan American but for the various companies associated with Pan American, and accordingly has a wide experience and knowledge of sources of supply. Panagra also obtains

[fol. 2149] the benefit of quantity discounts which are available to Pan American. In more recent years Pan American has also rendered forwarding services. Because of the difficulties of obtaining shipping space and the many governmental and other restrictions which arose during the war, Pan American established an organization to handle all arrangements with steamship companies, as well as to handle related governmental licenses and permits. This department is equipped to perform all services usually performed by shipping brokers.

In the past, these purchasing and forwarding services were compensated through the lump sum fee paid by Panagra. Because of the substantial volume of purchases made in the United States for Panagra, this method of payment had little relationship to the services rendered. Such services are normally performed on a percentage or commission basis and it has now been agreed that such a basis will be followed. Panagra will pay Pan American a commission equal to  $2\frac{1}{2}\%$  of the price of aircraft and engines, and  $5\%$  of the price of other equipment, materials and supplies purchased for its account by Pan American. Panagra will also pay a  $2\frac{1}{2}\%$  commission on the United States base price of gasoline and oil furnished to Panagra under contracts negotiated by Pan American for Panagra in the United States. The forwarding commission will be equal to  $2\frac{1}{2}\%$  of the price of the materials shipped in respect of [fol. 2150] which Pan American acts as a shipping broker. These commission rates are the same as those established in arrangements with other companies covering similar services. It is estimated that, upon the basis of the purchases and shipments made during the first nine months of 1947, these commissions for the year 1947 will amount to \$122,000.

The determination of the payment for the remainder of the services rendered by Pan American presents a somewhat more difficult problem. No time cards are kept by the personnel who render the services; nor would they be practicable. Moreover, the value of the services could not be measured solely in terms of time devoted to rendering

them since this would not properly compensate for experience brought to the problem. Also, many of the activities of Pan American's organization result in benefits to Panagra even though these activities may not be directed primarily or exclusively toward that end. For example, engineering studies and traffic, legal and accounting studies and forms prepared by Pan American benefit Panagra even though they are not designed primarily for Panagra. This may be true even though the particular study or form may not be used in its entirety by Panagra but is used only for information or as a model by them. It is therefore impossible to determine the value of Pan American's services on a piecework or job order basis, even if this [fol. 2151] were otherwise practicable. Accordingly, it has been agreed that Panagra and Pan American will review the situation periodically for the purpose of allocating to Panagra an appropriate share of the cost of the services made available by Pan American. Such allocation is to be based upon the experience and judgment as to the services made available and the benefits obtained from them. In this manner it has been agreed that the payment for the years 1947 and 1948 is to be \$115,000 per year.

In arriving at this figure the Pan American expenses for 1946, the latest full year for which figures were available, were carefully analyzed and weighed in light of the benefits received by Panagra from the various departments. It was realized that some departments or offices either rendered no service to Panagra or rendered service of such limited extent or of such nature that it would not be feasible to consider them for this purpose. The expenses of such departments and offices were excluded for the purpose of the allocation. Likewise, the sales, purchasing and shipping expenses were excluded since they are compensated for by the sales, purchasing and shipping commissions. The remaining expenses were allocated to Panagra in varying amounts depending upon the value to Panagra of the services which they represent. The greatest weight was given to the expenses of those departments which render substantially the same service to Panagra as they do to Pan [fol. 2152] American. For example, the expenses of the



Traffic Department, other than those which are considered allocable to sales functions, were placed in this category. This department prepares and files tariffs and schedules for Panagra just as for Pan American. The expenses of the Pan American Washington office were similarly treated, since this office handles routine contact with Government departments for Panagra as well as for Pan American, billing and collection of mail accounts being among the most important services performed. At the other extreme were the expenses of those departments whose services to Panagra were considered to be nominal. Between these two categories were found departments which render services in varying degrees to Panagra. For example, the Public Relations Department performs services for Panagra but because of the intangible benefit of direct contact in this type of work Panagra was considered to receive a somewhat lesser benefit from the Department's activities than is received by Pan American. This was given due consideration in the allocation. Still other departments render important service to Panagra but devote their activities primarily to Pan American's own operations. For example, many activities of the Legal Department relate solely to Pan American's business. Nevertheless, it is available [fol. 2153] to serve Panagra. Not only is advice given on specific Panagra problems but many of the forms, particularly traffic forms, prepared by the department are available to and are used by Panagra. Appropriate weight was given to this in the allocation. Finally, the general office expenses which are not assigned to particular departments were allocated to Panagra on the same basis as the expenses of the departments. In this way the parties arrived at a figure which represented a share of the expenses considered to be commensurate with the benefits received by Panagra.

The same type of review will be made periodically to determine the proper amount of compensation. The basis will remain the same but the groups of expenses may be reclassified for the purposes of the allocation in order to give due weight to any change in the value of the services to Panagra.



*Grace*

The payment which Panagra will make to Grace for other services will cover all non-traffic services rendered by Grace in South America and in New York.

The nature of the Grace non-traffic services in South America has been fully described in earlier material submitted to the Board (*Statement of Evidence*, Dockets Nos. [fol. 2154] 623 and 716) and it is not felt that any detailed discussion is necessary here. Grace has a well integrated and thoroughly trained business organization in each of the five South American countries and in the Canal Zone where it serves Panagra. In addition to offices in each of the capitals it has branches in other important cities of the countries concerned. In Peru these branch offices number 15 and in Chile 10. In each country its organization is headed by a national of that country thoroughly acquainted with both governmental and commercial conditions who is available to Panagra for advice and assistance. Labor relations assistance by Grace has been particularly extensive in Peru, Bolivia and Chile in recent years. The Grace organization also includes legal, financial and commercial staffs, whose specialized experience is on call to Panagra.

The work performed for Panagra varies from year to year and country by country, depending on the special governmental or business problems confronting Panagra at the time. Because of the nature of the services it is impossible to define the precise scope of Grace's activities on behalf of Panagra in advance or to fix in advance the amount of the fee which will be required to compensate for such services. The value of the relationship lies in the availability to Panagra at a moment's notice of an extensive and experienced organization with contacts and know-[fol. 2155] how any part of which can be and is constantly availed of to solve the immediate problem in hand. The Grace organization has made a substantial contribution to the development and maintenance of Panagra's services, and it continues to be of immeasurable assistance in aiding Panagra to meet changing legal, political and competitive conditions, aggravated as they are by increasingly difficult exchange and labor problems.

With these considerations in mind Grace and Panagra have sought to work out a basis of payment which will facilitate the accounting between them and keep payments at the minimum consonant with the services rendered. After discussions between the parties it has been determined that the amount to be paid to Grace for non-traffic services shall be determined periodically in the light of the services actually performed, and that Grace will receive no profit for such services but merely be reimbursed for expenses actually incurred on Panagra's behalf.

In estimating the amount to be paid Grace for non-traffic service in South America, certain calculations must be made. Grace maintains separate books of account for its houses in each country. Since the services performed for Panagra by Grace vary from country to country, it is necessary to prepare the computations on a country to country basis. This involves examination of the Grace records for the [fol. 2156] houses in Panama, Colombia, Ecuador, Peru, Bolivia and Chile. In the case of each country, the expenses incurred on behalf of Panagra fall under two separate categories—direct and indirect. Direct expenses are out-of-pocket payments made by Grace in the conduct of Panagra business other than traffic promotion and sales. The indirect expenses represent Panagra's allocable portion of the general expense of the Grace organization in each country.

Direct expenses include items such as cables, telephone expense, stationery, postage, travelling expenses, salaries of executive, accounting and other clerical personnel working full time on Panagra matters. These are all expenses which would not have been incurred by Grace if Grace had not undertaken to perform the non-traffic services in question for Panagra, and inasmuch as they are direct out-of-pocket expenses, reimbursement is naturally in order. The estimated direct out-of-pocket expenses for non-traffic services by the various Grace houses in South America for the year 1947, based on actual experience for the first eight months of 1947, are set forth on an attached Schedule.

Indirect expenses include such matters as a proportion of the salaries of managerial personnel devoting a portion

of their time to Panagra, and a proportion of rent, build- [fol. 2157] ing maintenance charges, salaries of clerical personnel working only part time on Panagra matters, and legal expenses, etc. They include also a proportion of departmental expenses of departments handling Panagra's business, including their cashier's, credit and collection departments. The non-traffic activities of the Grace organization in each country served by Panagra have been separately examined in detail and a proration made of these indirect expenses for activities common to Panagra and other Grace activities. The basis of allocation varies in each country, depending upon the extent of Panagra activities in that country and the relationship of those activities to other Grace interests. The various allocations are made on different bases, depending upon the nature of the account involved. Items such as rent and building are mathematically allocable on a square foot or comparable basis. Salaries of persons working part time on Panagra matters are allocable on the basis of individual time estimates. Legal and other special expenses can be determined on the basis of actual billings and time prorations. Whatever basis is used, this will be subject to Panagra's check each year, and its representatives are in a position to know in detail the nature of the services performed and the work [fol. 2158] involved. The estimated indirect expenses for each Grace house in each country served by Panagra for the year 1947 are set forth in an attached schedule.

From the above description of the non-traffic services rendered by Grace in the countries named, and from the very nature of the expenses listed, it is clear that Panagra's only alternative to the arrangement now in effect would be to establish its own integrated organization in each country. This would mean that Panagra would have to find and compensate top management of high caliber, experts on conditions in each country, and organize and maintain credit, collection, cashier's, accounting, cable and other departments, and find or build its own office space. It is not overstating the case to emphasize, in the first place, that the caliber of managerial talent in each of the countries concerned now available to Panagra in the Grace

organization, made possible by the extensive scope of the Grace business as a whole, could not be secured by Panagra working alone because Panagra alone could not afford to pay the compensation necessary to secure managerial talent of this type; and in the second place, that the expense of setting up and maintaining its own independent organization, even of the inferior type it could afford, would result in a far greater cost than that now proposed as compensation to Grace.

[fol. 2159] A variety of non-traffic services is performed by Grace for Panagra in New York.

Foremost are the services of Mr. Harold J. Roig, who has been Panagra's president since 1939, and who receives no compensation from Panagra. While Mr. Roig has other important duties which he performs as an officer of W. R. Grace & Co., he devotes a very substantial part of his time to Panagra matters and is in executive charge of the company's affairs. For substantial periods of time, particularly on his frequent visits to South America, he is concerned full time with Panagra problems.

Through its publication the "Grace Log" and other means, the Grace New York office provides publicity for the Panagra services. Through its Legal Department it provides legal and tax services. Through its experienced officers and staff it advises and assists on many problems arising from time to time requiring South American and other specialized knowledge and experience.

Grace (New York) handles all Panagra cables to and from South America, making available for Panagra's use its private codes, and including coding, decoding, transmittal and delivery of all Panagra cables. A pro rata share of the expense of the cable department is included in the amount charged for New York services on a cost basis.

[fol. 2160] Grace also assists Panagra in arranging transportation for Panagra personnel and their families, both in the United States and to and from South America. This department assists in securing passports and visas, makes reservations on connecting carriers, secures hotel accom-

modations and performs other necessary related services. It also performs various special services for certain Panagra passengers, who by reason of their official position, or other considerations such as health, are given personalized attention as a means of promoting good will for the company. A pro rata proportion of the expense of Grace's transportation department is included on a cost basis.

A proportion of the Grace Medical Department expense is also allocated to Panagra on a similar basis. The Grace Medical Department provides free medical check-up and care for Panagra personnel based in the New York area and their immediate relatives where requested, including the care of a dentist and an oculist.

March 3, 1948.

[fol. 2161]

*Summary*

The following statement shows the estimated amounts payable for 1947 for services based on commissions and reimbursement of expenses under the several headings above referred to:

PAA	
Commissions on Traffic Sales	\$214,000
Commissions on Purchases )	
Commissions on Forwarding )	122,000
Reimbursement Expenses	<u>115,000.</u>
<b>TOTAL</b>	<b>\$ 415,000</b>

GRACE	
Commissions on Traffic Sales	509,000
Reimbursement Expenses:	
<i>South America</i>	
Direct (See Schedule)	81,630
Indirect (See Schedule)	99,968
<i>New York</i>	<u>66,000</u>
<b>TOTAL</b>	<b>756,598</b>

<b>TOTAL</b>	<b>\$1,207,598</b>
Less net saving (page 7)	<u>278,000</u>
	<b>929,598</b>

In the estimates originally filed the total payable to both companies was estimated at 720,000

Leaving an amount required in excess of the original estimate in order to carry out the revised basis above described. **\$ 209,598**



P-43/123

SCHEDULE

PANAGRA DIRECT AND INDIRECT EXPENSES BY TERRITORIES

<u>DIRECT</u>	<u>PERU</u>	<u>CHILE</u>	<u>ECUADOR</u>	<u>COLOMBIA</u>	<u>BOLIVIA</u>	<u>CANAL ZONE</u>	<u>TOTAL ALL TERRITORIES</u>
Salaries, social laws, etc.	\$23,370	\$	\$13,228	\$18,492	\$10,700	\$1,331	\$67,121
Travelling expense auto hire, entertainment	100	1,880	504	1,468	214	-	3,966
Stationery, office supplies	1,450	645	261	252	1,480	-	4,088
Cables, telephones	120	225	140	1,124	343	-	1,952
Sundry other expenses	900	160	697	292	2,454	-	4,503
<b>Total Direct</b>	<b>\$25,940</b>	<b>\$2,710</b>	<b>\$14,830</b>	<b>\$21,628</b>	<b>\$15,191</b>	<b>\$1,331</b>	<b>\$81,630</b>
<u>INDIRECT</u> (Excluding portion chargeable to traffic and sales promotion)							
Salaries, Cashiers, Collections, A/C.	\$6,663	\$3,853	\$22,383	\$ 1,292	\$ 1,980	\$ 165	\$36,336
Legal and Tax	-	1,950	1,702	1,250	510	56	5,468
Management	12,000	11,095	2,122	-	7,250	294	32,761
Stationery, Postage	-	-	-	-	-	-	-
Cables, Entertaining	2,855	-	5,415	-	-	273	8,543
Sundry Other Expenses	-	7,031	2,674	3,534	3,465	156	16,860
<b>Total Indirect</b>	<b>\$21,518</b>	<b>\$23,929</b>	<b>\$34,296</b>	<b>\$ 6,076</b>	<b>\$13,205</b>	<b>\$ 944</b>	<b>\$99,968</b>
<b>COMBINED DIRECT AND INDIRECT</b>	<b>\$47,458</b>	<b>\$26,639</b>	<b>\$49,126</b>	<b>\$27,705</b>	<b>\$28,396</b>	<b>\$2,275</b>	<b>\$181,598</b>

2162

[fol. 2163]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 44

CONFORMED COPY

(Letterhead of Pan American World Airways System,  
New York, N. Y.)

July 14, 1948

Pan American-Grace Airways, Inc.  
135 East 42nd Street  
New York 17, N. Y.

Dear Sirs:

This letter, when accepted by you, will constitute the agreement between us with reference to the following matters:

1. Upon request in writing from you, we will use our best efforts to purchase, lease or otherwise acquire, and to ship or cause to be shipped to the point designated by you, such flight or other equipment, machinery, tools, materials, supplies, gasoline, oil and other goods as you shall designate. Such requests need not be in any particular form but may be in the form of requisition or purchase requests, or may be contained in letters, memoranda, radiograms, cables or other communications. In the event that you furnish us with a list of persons authorized to issue such request, we will honor requests signed or issued, or purporting to have been signed or issued, by those, and only those, persons named therein. In the event that no such list is furnished to us, we shall be authorized to honor requests by any officer of your company. It is understood that the requests herein contemplated shall include such arrangements as may have existed from time to time between us for the purchase of flight equipment spare parts and assemblies for your flight equipment of a type different from any of our flight equipment, but that subsequent to the date hereof the requests herein contemplated with respect to such equipment shall include only those having written approval by

[Handwritten marginal notation - H-1506 - Agreement.]

an officer of Panagra or by an employee designated in writing for the purpose by an officer of Panagra.

2. All of the purchasing and shipping facilities of our Services of Supply will be available for your use. We will furnish you, upon request, with such advice and assistance with reference to purchasing and shipping as are available through that service, which shall include, but not be limited to, advice as to sources of supplies and shipping facilities, assistance in clearance and meeting other governmental requirements, and other similar advice and assistance. It is understood that in making the foregoing services available to you we shall use our best efforts to make all action conform with action in similar cases for our own account, but that we shall not be responsible for any loss that you may incur by reason of your reliance upon advice from us or otherwise in connection with such services, unless caused by our gross negligence or wilful misconduct.

[fol. 2164] 3. All action taken by us pursuant to this agreement shall be in accordance with your instructions, and in the absence of specific instructions we shall be authorized to use our discretion as to vendors, terms of purchase or lease, shippers, routes, terms of shipping contract, insurance and all other matters relating to the carrying out of your requests hereunder.

4. The services under this agreement will, for the most part, be rendered in the United States where our principal purchasing and shipping facilities are located, but any such facilities which we may have available in any other part of the world are also covered by this agreement, and may be utilized by you hereunder.

5. For the foregoing services, you will pay us amounts calculated in the following manner:

(a) 2 1/2% of the vendor's invoice price of aircraft and aircraft engines purchased by us at your request and for your account;

(b) 2 1/2% of the United States base price of gasoline and oil furnished to you under contracts negotiated by us for you at your request in the United States or pur-

chased for you by us at your request in the United States;

(c) 5% of the vendor's invoice price of other equipment, machinery, tools, supplies and other goods, including spare parts for aircraft and engines, purchased by us at your request and for your account;

(d) 2½% of the vendor's invoice price of property included in any shipment in respect of which we act as forwarding agent for you at your request;

(e) For the purposes of this agreement, the vendor's invoice price shall be deemed to be the net total amount shown on the vendor's invoice, less any trade discounts, including any transportation or other charges prepaid by the vendor and included in the invoice in respect of the property to which they relate;

(f) In the case of equipment leased by us for your account, the foregoing payments shall be calculated on the basis of the rentals payable, instead of the invoice price;

(g) None of the amounts provided for in subparagraphs (a), (b) and (c) of this paragraph 5 shall be payable with respect to the DC-3 aircraft or DC-6 spare engines ordered for you prior to January 1, 1947.

[fol. 2165] 6. The foregoing payments will cover all routine services of the type referred to which are performed under this agreement. Any out-of-pocket expenses incurred by us in connection with any special services requested by you in writing, beyond the purchasing and shipping services normally rendered by us, such as special inspection trips, shall be for your account. All costs and expenses of transportation, delivery, insurance, royalties, taxes, duties or other similar charges, as well as the purchase price or rent, relating to property acquired or shipped for you pursuant to this agreement shall be for your account.

7. The payments to be made by you under this agreement will be made in the following manner. A separate open account will be established between us in which all amounts

payable by you hereunder will be recorded as soon as practicable after the acquisition of the property to which they relate or, in the case of leases, after the rent on which the payment is calculated is due. Such amounts will be recorded and payable in the currency in which the obligation with respect to such property or lease was incurred by us. Promptly after the execution of this agreement, you will deposit with us \$50,000.00, or a larger sum if you so desire, which will be recorded in said open account and will constitute a revolving fund to be used in settling accounts with vendors, lessors or shippers relating to property acquired for you. You will reimburse us promptly upon submission of invoices for any payments made by us, or any other amounts due to us, hereunder. We shall not be required to keep any deposits or payments made by you segregated from our own funds. Unless you instruct us to the contrary, we will settle the accounts with vendors, lessors or shippers. Any cash discount with respect to property ordered for you will be credited to you in case the net balance in such open account at the time the payment for such property is due shall be in your favor in an amount sufficient to make such payment, regardless of whether or not we shall receive such discount, except in those cases where we do not receive such discount because of dispute with the vendor regarding the invoice, or other similar reason.

8. It is understood that, in taking any action pursuant to the foregoing provisions of this agreement, we shall be acting only as agent for you and you will reimburse us for any payments made by us, indemnify us for all losses which we may incur, and hold us harmless from and against all claims of every nature, including costs and expenses, incurred in connection therewith, which shall be asserted against us, by reason of any action taken by us pursuant to this agreement.

9. In addition to the foregoing, we agree to sell you at your request any parts, equipment, materials or supplies which we shall have on hand in warehouses or other storage points where, in our opinion, there are sufficient stocks available to permit such sales. Except as hereinafter pro-

vided in this paragraph 9, the price payable by you for any such parts, equipment, materials or supplies purchased by you shall be the current net replacement cost at the vendor's point of shipment. In case such parts, equipment, materials or supplies shall be furnished at your request from stocks at points other than those in respect of which you share regularly in our shop burden expense through charges for maintenance, repair or overhaul of aircraft or engines, the price payable by you shall be the current net replacement cost at the vendor's point of shipment, plus 20% of such costs to cover handling, storage and transportation charges incurred by us. All charges incurred prior to the sale to you in connection with the property referred to in this paragraph 9 shall be absorbed by us, and all charges, including the cost of transportation and insurance and, if forwarding services are requested by you, our 2½% shipping commission, incurred subsequent to the sale shall be for your account. The foregoing prices and charges shall not apply to any item listed as surplus on any list of surplus inventory which we may distribute, but the price, terms and conditions of sale thereof shall be as indicated on such list in effect on the date your order is placed. Payment for any property sold to you pursuant to this paragraph 9 will be made in the manner set forth in paragraph 7, such payment to be recorded in the open account referred to in paragraph 7 as soon as practicable after the property is sold to you.

10. You shall have the risk of loss of any property acquired for you at your request pursuant to this agreement. In the case of property sold to you from our own stocks, you shall have the risk of loss commencing at the time of sale which, unless otherwise agreed, shall be the time the property is selected and set aside for shipment or delivery to you.

11. It is understood that we make no representations or warranties with respect to any property acquired for or sold to you pursuant to this agreement, and that we shall not be responsible for defects of character whatsoever in any such property; provided, however, that the services to be performed hereunder shall include routine action



under manufacturer's warranties normally performed by our purchasing and shipping organization.

12. All action taken pursuant to this agreement shall be subject to any applicable laws and regulations of any government or governmental body having jurisdiction and neither party shall be required to take any action which shall be contrary to any such laws or regulations.

13. Any notice, request or instruction which you are required to give or which you may give hereunder must be given in writing and signed by an officer of your company or by an employee designated in writing by an officer of your company.

14. This agreement shall be effective as of January 1, 1948 and, except as otherwise expressly provided herein, shall cover all requisitions and other requests issued by you on or after that date. This agreement shall continue in [fol. 2167] effect until May 5, 1950, and thereafter until cancelled by either party upon six months' written notice to the other.

If the foregoing correctly states our understanding, will you kindly sign and return to us the enclosed copy of this letter.

Very truly yours,

PAN AMERICAN AIRWAYS, INC.

By /s/ F. GLEDHILL  
Vice-President

ACCEPTED: July 14, 1948

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ G. VIDAL  
Vice-President

[fol. 2168]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 45.

THIS ORIGINAL IS NOT TO BE REMOVED FROM  
PAN AMERICAN AIRWAYS SYSTEM  
CONTRACT FILE

MEMORANDUM AGREEMENT REGARDING SERVICES RENDERED AND TO BE RENDERED TO PANAGRA BY THE PARENT COMPANIES AND COMPENSATION THEREFOR

This memorandum sets forth the understanding between Pan American-Grace Airways, Inc. (herein called "Panagra"), Pan American Airways, Inc., (herein called "Pan American"), and W. R. Grace & Co., (herein called "Grace"), regarding certain services to be performed, the method of determining compensation for such services and the amount to be paid for certain of such services for 1947-1948.

1. Pan American shall continue to act as General Sales Agent for Panagra throughout the world except in Argentina, Bolivia, Canal Zone, Chile, Colombia, Ecuador, Peru and Panama City. Pan American may, as to any territory for which it acts as such General Sales Agent except the United States, designate one of its affiliated carriers\* or any other concern to act as General Sales Agent for Panagra. Pan American shall continue to be responsible to Panagra for acts of any affiliated carrier or concern so designated. Whenever Pan American shall make such [fol. 2169] designation of an affiliated carrier for any portion of the Western Hemisphere, it shall first obtain the advance written approval of the President of Panagra and shall terminate such designation whenever the President of Panagra shall so request on ninety days' written notice.

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\* This term, to be specifically defined in the General Traffic and Sales Agency Agreement between Pan American and Panagra, is limited to those companies engaged in the transportation of passengers, mail, express or cargo by air in which Pan American, or any company owning a majority of the capital stock of Pan American, owns a stock interest.

If the President of Panagra fails to approve such a designation or requests the termination thereof, Panagra will at the written request of Pan American release Pan American from its obligations to act as General Sales Agent for that part of the Western Hemisphere covered by such designation and will execute appropriate amendments to the Through-Flight Agreement reflecting such release.

2. Panagra shall act as General Sales Agent in Ecuador, Peru, Bolivia and Chile for Pan American and for each of Pan American's affiliated carriers in those of said countries for which said affiliated carrier shall have at the time appointed Pan American and its affiliated carriers general sales agent, except that it shall not so act for Avianca in Ecuador. Panagra may at any time on ninety ~~decline~~

days' written notice ~~decline~~ to act for any affiliated carrier in one or more of the countries for which it is General Sales Agent. In the event the president of Panagra fails [fol. 2170] to approve or requests termination of the designation of an affiliated carrier of Pan American under paragraph 1 above, then that affiliated carrier may on ninety days' written notice discontinue Panagra as its general sales agent in any of said countries. Panagra shall delegate to Grace its full responsibility for the performance of this general sales agency, and Grace shall hold Panagra harmless for the performance of Panagra's obligations to Pan American and its affiliated carriers. Panagra shall continue to be responsible to Pan American and its affiliated carriers for acts of Grace pursuant to such delegation and such delegation shall not constitute Grace a sub-agent.

3. Grace shall continue to act as General Sales Agent for Panagra in Panama City, Canal Zone, Colombia, Ecuador, Peru, Bolivia and Chile, and shall be responsible to Panagra for carrying out of all Panagra's obligations arising from the appointment of Panagra as General Sales Agent by Pan American and its affiliated carriers as specified in paragraph 2 above.

4. (a) For services rendered as General Sales Agents, in accordance with the foregoing paragraphs 1, 2, and 3.

[fol. 2171] commissions shall be paid at the following rates, namely, a 10% commission on all passenger traffic, including excess baggage; and 7½% commission on all cargo and express traffic sold; and in addition Panagra may at its discretion pay to Grace for handling or other service a 5% commission on its revenues from incoming cargo and express on shipments on which Panagra determines such payment to be justified. Where sales are made by a sub-agent, the General Sales Agent shall be entitled to retain an overriding commission of 2½%. These commissions shall be payable commencing January 1, 1948. No other compensation shall be paid for the services rendered by Panagra, Grace or Pan American as such General Sales Agents except to the extent specifically provided herein or in any General Sales Agency Agreement.

(b) Panagra shall turn over to Grace the full amount of all General Sales Agent commissions paid to it by Pan American and its affiliated carriers and the full amount of any other sales commissions paid to Panagra under inter-line agreements or otherwise resulting from traffic sold by Grace as General Sales Agent for Panagra.

(c) In connection with the assumption by Grace of responsibilities as General Sales Agent at various points, particularly Lima and Santiago, Panagra will discontinue [fol. 2172] its existing general selling activities at these points. Certain expenses incurred by Panagra at the above and other points in 1947, as set forth in more detail in Annex A attached, shall be assumed by Grace. Grace shall assume the similar expenses incurred by Panagra in 1948.

5. General Sales agency agreements covering the understandings recorded in paragraphs 1 to 4 inclusive of this memorandum and otherwise describing and clarifying the obligations of the parties will be prepared promptly. Nothing in such agreements shall relieve Pan American of any obligation to Panagra already assumed under the Through Flight Agreement; provided, however, that the said agreement shall be modified in the event of the contingency specified in paragraph 1 hereof.

6. Pan American will continue to render purchasing and shipping services to Panagra. Panagra will enter into

a formal purchasing and shipping agreement with Pan American as of January 1, 1948, under which Panagra will pay to Pan American the following commissions on equipment, materials and supplies specifically ordered by Panagra and purchased for Panagra by Pan American:

(a) 2½% of the vendor's invoice price of aircraft and aircraft engines;

[fol. 2173] (b) 2½% of the United States base price of gasoline and oil furnished under contracts negotiated by Pan American in the United States or purchased for Panagra by Pan American in the United States;

(c) 5% of the vendor's invoice price of other equipment, machinery, tools, supplies and other goods, including spare parts for aircraft and engines, purchased;

(d) 2½% of the vendor's invoice price of property included in any shipment in respect of which Pan American acts as forwarding agent at Panagra's request.

None of the amounts provided for in subparagraphs (a), (b) and (c) of this paragraph 6 shall be payable with respect to the DC-6 aircraft or DC-6 spare engines ordered for Panagra prior to January 1, 1947.

7. In addition to the foregoing purchasing services, Pan American agrees to sell to Panagra at Panagra's request any parts, equipment, materials or supplies which Pan American shall have on hand in warehouses or other storage points where, in Pan American's opinion, there are sufficient stocks available to permit such sales. Except as hereinafter provided, the price payable by Panagra for [fol. 2174] any such parts, equipment, materials or supplies purchased by Panagra shall be the current net replacement cost at the vendor's point of shipment. In case such parts, equipment, materials or supplies shall be furnished at Panagra's request from stocks at points other than those in respect of which Panagra shares regularly in Pan American's shop burden expense through charges for maintenance, repair or overhaul of aircraft or engines, the price payable by Panagra shall be the current net replacement cost at the vendor's point of shipment, plus 20% of such

cost to cover handling, storage and transportation charges incurred by Pan American. All charges incurred prior to the sale to Panagra in connection with the property referred to in this paragraph 7 shall be absorbed by Pan American, and all charges, including the cost of transportation and insurance and, if forwarding services are requested by Panagra, Pan American's 2½% shipping commission, incurred subsequent to the sale shall be for Panagra's account. The foregoing prices and charges shall not apply to any item listed as surplus on any list of surplus inventory which Pan American may distribute, but the price, terms and conditions of sale thereof shall be as indicated on such list in effect on the date Panagra's order [fol. 2175] is placed.

8. In addition to the sales, purchasing and shipping services provided for above, Pan American will continue to make available to Panagra the services and facilities of its general and administrative organization in New York. Grace will continue to make available to Panagra the services and facilities of its entire organization both in the United States and in South America. The nature of the services which the companies will render Panagra is more fully described in the attached memorandum entitled "Payment to Parent Companies for Services", dated March 3, 1948. In order that Panagra may obtain the fullest advantage of the availability of these services and facilities, it is agreed that Panagra may from time to time indicate in writing to Pan American and Grace the precise type of available services, facilities, information and consultation desired, and Pan American and Grace agree that they will use their best efforts to provide service to Panagra of the type and character specified and in the manner so indicated.

Panagra agrees to credit Pan American and Grace as full compensation for services rendered by such companies to Panagra during 1947 with \$522,075.- and \$853,415.-, of which \$148,043.- represents sales commissions paid or payable by Pan American and its affiliated carriers through Panagra, respectively, less amounts heretofore paid on [fol. 2176] account of such services to Pan American and



Grace respectively in respect of 1947 and, in the case of Grace less expenses assumed by Grace hereunder amounting to \$393,947.-. These amounts were computed in accordance with the said memorandum entitled "Payments to Parent Companies for Services", and cover the services referred to therein. The foregoing amounts do not include sales commissions paid or payable by Panagra to foreign affiliates of Pan American; nor do they include sales commissions paid to sub-agents.

For services referred to above to be furnished during the year 1948, excluding services as General Sales Agent and services of Pan American covered by paragraph 6 of this memorandum, which are to be compensated on the commission basis herein described, Panagra agrees to pay Pan American \$115,000.- and to pay Grace \$251,976.-.

The amount payable to Grace and Pan American for years subsequent to 1948 for services other than sales, purchasing and forwarding for which specific commissions are provided, will be determined in the manner described in the memorandum entitled "Payments to Parent Companies for Services", dated March 3, 1948, and an effort will be made to agree upon the amounts payable for each [fol. 2177] year as promptly as possible after the beginning of such year. It is understood that while Pan American and Panagra each maintains separate general offices in New York for its own account, certain office functions such as telephone switchboard and mail handling are now pooled and will continue to be pooled for convenience, and the payment herein provided for covers Panagra's full share of such pooled services. In accordance with past practice, Pan American shall continue to charge Panagra with out-of-pocket expenses, such as postage, specifically incurred at the request of Panagra and resulting from such pooled services. Long distance telephone calls made by Panagra through Pan American's switchboard, except calls made over existing tie lines with Washington or other tie lines not charged by Pan American directly to its divisions shall be charged to Panagra.

In accordance with past practice, Grace shall continue to charge Panagra with out-of-pocket expenses incurred at

the request of Panagra by the Grace offices in New York and Washington, such as postage, the cost of cables, long distance telephone calls, travel expenses and the medical examination of Panagra employees assigned for service abroad.

9. Pan American shall continue to print and file Panagra's schedules and tariffs and to print and distribute [fol. 2178] timetables, tickets and similar traffic documents as Panagra shall request in writing from time to time, and shall receive no compensation for such services but shall be reimbursed by Panagra for Panagra's appropriate share of all out-of-pocket expenses incurred in connection therewith in accordance with past practice.

10. Pan American will cause its subsidiary Compania Pan American Argentina, S. A. to continue to render sales and other services jointly to Panagra and Pan American in Argentina, and the same method for determining joint basis of reimbursement of Compania Pan American Argentina, S.A. as is now in effect will continue and will be applied in light of conditions existing from time to time. Pan American shall regularly consult with Panagra regarding the joint activities of Compania de Aviacion Pan American Argentina, S.A. and with particular reference to sales policies, personnel, the annual budget, advertising programs and expenditures, subject to joint reimbursement.

11. To facilitate operation of all phases of this agreement, both immediate and long term, Grace and Pan American will each designate one of its officers stationed in the [fol. 2179] United States and authorize him to act for Grace or Pan American, as the case may be, in the resolution of any problems referred to him by Panagra's executive management which may arise under this arrangement and which have not promptly been solved to Panagra's satisfaction by the administrative sales or operating personnel immediately concerned.

12. This agreement shall in no respect alter or repeal any provision of the Through Flight Agreement; provided.

however, that the said agreement shall be modified in the event of the contingency specified in paragraph 1 hereof.

13. This agreement shall remain in effect until May 5, 1950, and thereafter until terminated by any party hereto by six months' written notice to the other two parties. In the event of such termination, Pan American and Grace shall continue to make available to Panagra the services and facilities being provided at the date of the execution of this agreement, and Panagra shall continue to avail itself of such services and facilities and compensate therefor at amounts then to be determined.

Dated: July 14, 1948

PAN AMERICAN-GRACE AIRWAYS, INC.

By H. R.

President

PAN AMERICAN AIRWAYS, INC.

By E. BALLUDER

Vice-President

W. R. GRACE & Co.

By ANDREW M. (Illegible)

Vice President

[fol. 2180]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 46

# GENERAL TRAFFIC AND SALES AGENCY AGREEMENT

September

THIS AGREEMENT, made this tenth day of August, 1948, between PAN AMERICAN AIRWAYS, INC., a corporation organized and existing under the laws of the State of New York, hereinafter referred to as "Pan American", and PAN AMERICAN-GRACE AIRWAYS, INC., a corpo-

[Change in first paragraph initialed but illegible.]

ration organized and existing under the laws of the State of Delaware, hereinafter referred to as "Panagra":

WITNESSETH THAT, for and in consideration of the mutual covenants and agreements herein contained, Pan American and Panagra hereby agree as follows:

1. Pan American hereby appoints Panagra, and Panagra agrees to act as, General Traffic and Sales Agent in Bolivia, Chile, Ecuador and Peru for Pan American and its other that

affiliated carriers, except Ecuador shall not be part of the territory in which Panagra shall act as such General Traffic and Sales Agent for AVIANCA nor shall any, or any part of any, of said countries specifically excluded in the designation of any of said affiliated carriers pursuant to paragraph 22 hereof, be a part of the territory in which Panagra acts as such General Traffic and Sales Agent for said affiliated carrier, the territory in which Panagra is hereby appointed to act as General Traffic and Sales Agent being hereinafter sometimes referred to as "Panagra General Agency Territory". As such General Traffic and Sales Agent, Panagra agrees that it will perform such services as may be appropriate to promote passenger, mail, express, and cargo traffic over the lines of Pan American and its affiliated carriers and to arrange for transportation of passengers, baggage, mail, express and cargo over such lines, including the furnishing of necessary personnel, office space, equipment and supplies and doing all other things appropriate to carry out the following activities:

(a) Solicitation and sale within the Panagra General Agency Territory of passenger, mail, express and cargo transportation for Pan American and its affiliated carriers, including furnishing instructions to, and supervision of such solicitation and sale by, Panagra's General Sales Agents and sub-agents appointed in accordance with this Agreement;

(b) Performance of such acts and preparation and checking of such documents in the Panagra General Agency Territory as may be required for the transportation of passengers, baggage, mail, express and

[Change in paragraph 1 initialed but illegible.]

cargo and movement of aircraft over the lines of Pan American and its affiliated carriers, including the making of arrangements for the presence of such government officials as may be required in connection therewith.

(c) Checking such baggage of outgoing passengers at points in the Panagra General Agency Territory as is to be through checked from points served by Panagra to points served by Pan American or its affiliated carriers, it being understood that baggage of passengers traveling over the lines of Panagra and then over the lines of Pan American or its affiliated carriers will be through checked by Panagra only if, and to the extent that, the parties shall expressly so agree; collecting for the account of Pan American and its affiliated carriers any excess baggage charges payable with respect to any baggage checked by Panagra for transportation over the lines of Pan American and its affiliated carriers; receiving and forwarding by carriers with which Pan American or Panagra has forwarding arrangements any trunks or other heavy baggage delivered to Panagra for that purpose by passengers traveling, or proposing to travel, over the lines of Pan American or its affiliated carriers, and collecting any charges payable therefor;

(d) Making arrangements in the Panagra General Agency Territory on behalf of such passengers for transportation to and from airport terminals and for hotel accommodations at points of call of Panagra, Pan American and its affiliated carriers and at other cities;

[fol. 2182] (e) Making reservations for and facilitating transportation over the lines of Pan American and its affiliated carriers and connecting carriers;

(f) Furnishing such advice and information as Pan American may from time to time request with respect to transportation formalities required by governments in the Panagra General Agency Territory pertaining to passengers, baggage, express and cargo moving over the lines of Panagra, Pan American, or its affiliated carriers;

(g) Distribution of such timetables, advertising materials and other information covering the services of Pan American and its affiliated carriers as Pan American may from time to time reasonably request;

(h) Maintaining and operating at points served by Panagra in the Panagra General Agency Territory centrally located sales offices for the sale of passenger, express and cargo transportation over the lines of Pan American and its affiliated carriers, which offices shall be staffed with competent traffic and sales personnel for the promotion and sale of passenger, mail, express and cargo transportation over the lines of Pan American and its affiliated carriers and for the handling of all matters pertaining thereto pursuant to this Agreement, it being contemplated that the entire sales organization of Panagra will be available to perform services pursuant to this Agreement, but nothing contained in this Agreement shall obligate Panagra to establish any new office or organization at any point not served by Panagra in order to render any service to Pan American.

(i) Publicizing, in the Panagra General Agency Territory, in such appropriate manner as Pan American shall request, that Panagra is the General Traffic and Sales Agent for Pan American and its affiliated carriers, which shall include, but not be limited to, appropriate statements to that effect in Panagra's [fol. 2183] advertising in the Panagra General Agency Territory relating to travel to the points served by Pan American and its affiliated carriers;

(j) Providing, when Pan American shall so request at any of Panagra's principal sales offices (which shall be deemed to be for purposes of this agreement, Panagra's principal sales office in Santiago, Chile, Lima, Peru, La Paz, Bolivia, Quito and Guayaquil, Ecuador, and such other points as shall be mutually agreed upon from time to time), at least one responsible sales representative who shall be assigned the specific and primary duty of developing and selling transportation



over the lines of Pan American and its affiliated carriers;

(k) Furnishing Pan American with appropriate reports, monthly and at such other times as may be requested by Pan American, as to the extent and character of sales made by each Panagra sales office or agency for Pan American and its affiliated carriers;

(l) Making personal visits through sales representatives to sub-agencies and to persons and firms which have been or which are potential customers for transportation via Pan American and its affiliated carriers, it being understood that, if Pan American so requests, a representative of Pan American may accompany Panagra's sales representatives on any such visits;

(m) Holding regular meetings, if requested by Pan American, between the appropriate representatives of Panagra and Pan American in the Panagra General Agency Territory, at such intervals as shall be mutually agreed upon, to review ways and means of developing traffic, including the determination of sales policies and advertising programs for development of traffic over the lines of Pan American and its affiliated carriers;

(n) Keeping Pan American's principal officers as currently informed as Panagra's principal officers with regard to developments coming to Panagra's attention affecting traffic over the lines of Pan American [fol. 2184] and its affiliated carriers, including proposed schedules and tariff change, activities of competitors, air mail and parcel post matters, and all other pertinent information pertaining to the sale and movement of traffic over the lines of Pan American and its affiliated carriers, and consulting with Pan American as to Panagra's public educational activities, giving Pan American full opportunity to suggest how such activities may be conducted in a manner which will provide maximum benefit to Pan American and its affiliated carriers;

(o) Requiring any general-sales agent appointed by Panagra in the Panagra General Agency Territory to

function on behalf of Panagra in lieu of a sales office operated directly by Panagra to provide adequate sales office facilities, it being understood that all such offices, as well as offices operated directly by Panagra, shall be decorated and furnished in accordance with reasonable specifications and design in keeping with recognized airline practice and shall satisfy the functional requirements of such offices, that all such offices at points served by Panagra shall accentuate their identity as sales offices for Panagra and Pan American, and that all such sales offices and general sales agencies shall be furnished with modern office equipment and telephone installations adequate to provide the highest type of service to the public;

(p) Providing traffic and sales personnel, including those of Panagra's general sales agents, responsible for the handling and development of traffic over the lines of Pan American and its affiliated carriers who shall be adequately trained in airline practice and suitably indoctrinated in required procedures, methods and information to enable them to furnish satisfactory performance hereunder, it being agreed that a reasonable number of sales representatives who come in contact with the public in Panagra's principal sales offices in the Panagra general agency territory shall be bilingual, [fol. 2185] i.e. English and Spanish speaking, and that the sales staff in the Panagra General Agency Territory shall not only include sales personnel sufficient to staff adequately Panagra offices and general sales agencies, but also shall include as many outside solicitors as may be reasonably required to produce the best sales effort for Pan American and its affiliated carriers;

(q) For the purpose of instructions covering procedures for the sale and handling of passenger, cargo and mail traffic over the lines of Panagra and Pan American or its affiliated carriers, making available to all of Panagra's offices the several traffic and sales manuals issued by Pan American including all reissues and revisions thereof and supplements thereto and requiring that the provisions of such manuals be followed.

All action taken by Panagra as such General Traffic and Sales Agent, whether specifically referred to herein or otherwise, shall be in accordance with instructions, rules, regulations, rates and tariffs of Pan American and its affiliated carriers. Pan American's representatives may from time to time visit Panagra's sales offices and general agencies for the purpose of discussing with Panagra's sales representatives any and all aspects of their selling activities for Pan American and its affiliated carriers; provided, however, that Pan American shall consult with Panagra a reasonable time prior to making such visits regarding the purpose of such visits, and a representative of Panagra may, if Panagra desires, accompany such representatives of Pan American on such visits.

2. Panagra agrees to designate as its agents for the purposes of this Agreement all of its authorized sales agents in the Panagra General Agency Territory, to appoint such additional agents as Pan American may from time to time request, all in accordance with, and upon such terms and conditions as shall be set forth in, the instructions (including published agency rules, regulations, policies and practices) given by Pan American, and to cancel the appointment [fol. 2186] of any agent, for the purposes of this Agreement, upon request by Pan American.

3. Pan American hereby authorizes Panagra to issue (a) tickets, or exchange orders exchangeable for tickets, for transportation of passengers (but not to check baggage unless the parties hereto shall so agree) and (b) airwaybills or other appropriate forms of contract for transportation of express and cargo over the lines of Pan American and of its affiliated carriers and to execute and issue all other documents necessary or appropriate for such transportation, all in the form, and subject to and in accordance with the tariffs, rates, rules and regulations and the terms, provisions and conditions of the tickets, airwaybills and other transportation contracts, prescribed and approved from time to time by Pan American or its affiliated carrier, as the case may be, it being understood that no such ticket, exchange order, airwaybill or contract will be issued unless

an advance reservation shall have been made for the transportation, if required by such tariffs, rules and regulations, and Panagra shall have received payment of the total charges payable therefor at the point of issuance in accordance with such tariffs, rules and regulations, or shall have made arrangements satisfactory to Pan American for the collection of such charges, and that Panagra will not, directly or indirectly, or through any agent or broker, or otherwise, rebate, or remit any portion of the charges specified in said tariffs. Pan American agrees to accept and to carry out the obligation of, or to cause the appropriate affiliated carriers to accept and to carry out the obligation of, each ticket, exchange order, airwaybill, or contract so issued by Panagra. Such airwaybill or contracts may provide for turning over to other transportation agencies for onward carriage by them of express or cargo destined to points beyond points served by Pan American and its affiliated carriers, and in such event it is agreed that Pan American and its affiliated carriers will act in accordance with the terms of such provision. In issuing tickets, exchange orders, airwaybills and contracts for transportation over the lines of Pan American or any of its affiliated carriers, Panagra shall be deemed to act only as an agent of Pan American or its affiliated carrier, as the case may be. Panagra, including its officers, employees, agents, or servants, shall not be liable, and Pan American agrees to indemnify Panagra, including its officers, employees, agents, or servants, and hold it harmless from and against all claims, for any loss, damage, injury or delay of any nature whatsoever, including costs and expenses, which shall occur in connection with the transportation services of Pan American or in connection with the carrying out or failure to carry out any obligation to third parties arising by reason of action taken by Panagra as General Traffic and Sales Agent for Pan American, pursuant to this Agreement unless such loss, damage, injury or delay shall be caused by the negligence or wilful misconduct of Panagra, its officers, employees, agents or servants. Pan American agrees to cause its affiliated carriers to enter into appropriate agreements similar to and on the same terms as the agreement in the foregoing sentence under which they will agree to indemnify and hold harmless Panagra from any such

loss, damage, injury, delay, costs and expenses, in connection with their respective transportation services or the carrying out of obligations to third parties arising out of action by Panagra as General Traffic and Sales Agent for such affiliated carriers, respectively. Pan American shall furnish to Panagra from time to time the aforementioned tariffs, rates, rules and regulations and information regarding the transportation services currently being offered by Pan American and its affiliated carriers. Any act which Panagra is authorized or permitted by this paragraph to take may be taken through an agent of Panagra authorized in accordance herewith.

4. (a) In case Panagra shall receive notice of any claims relating to transportation over the routes of Pan American or its affiliated carriers, Panagra will immediately notify Pan American of such notice, giving all pertinent information available.

(b) In case any tariff, rate, form of ticket, exchange order, airwaybill or other transportation contract, or any rule or regulation of Pan American or its affiliated carriers relating to transportation over their lines, shall be [fol. 2188] modified or amended at any time, or in case any service of Pan American or its affiliated carriers shall be suspended, modified or cancelled, Pan American will notify Panagra as far in advance as practicable of the effective date of any such modification, amendment, suspension or cancellation, it being understood that Pan American will indemnify and hold harmless Panagra from and against all losses, including costs and expenses, by reason of claims insofar as they arise out of such modification, amendment, suspension or cancellation and the sale by Panagra of transportation prior to receipt by Panagra of notice thereof.

(c) Panagra shall make no refund of any fare, charge, or other sum relating to transportation over the lines of Pan American or its affiliated carriers, unless such refund shall be in accordance with the tariffs, rules, regulations and instructions of Pan American.

(d) In case any claim shall be asserted against Panagra in respect to transportation over the lines of Pan American or any of its affiliated carriers, or in case any action at



law; suit or proceeding shall be instituted against Panagra relating thereto. Panagra shall promptly notify Pan American and promptly transmit to Pan American from time to time all communications, legal processes and other documents and information coming into the possession of Panagra and relating to such claim, action at law, suit or proceeding. Panagra shall permit Pan American to settle and to conduct the defense against any such claim, action at law, suit or proceeding and Panagra will cooperate with and assist Pan American, to the extent requested by Pan American, in settling or conducting the defense against any such claim, action at law, suit or proceeding.

5. Pan American hereby agrees to pay or reimburse Panagra the following amounts:

(a) In the case of sales made in the Panagra General Agency Territory by Panagra or any agent of Panagra:

(i) *For Passenger Transportation* over the lines of Pan American and its affiliated carriers, a [fol. 2189] commission equal to either (1) in case such transportation shall have been sold directly by Panagra or a general sales agent of Panagra, 10% of the total amount of the fares for such transportation (including excess baggage weight charges but excluding valuation and insurance charges on baggage) collected by Panagra or its general agent in the Panagra General Agency Territory including fares for such passenger and excess baggage transportation sold in the Panagra General Agency Territory by Panagra or its general sales agent and furnished under Universal Air Travel Cards acceptable to Pan American or its affiliated carriers or under government transportation requests or warrants presented by passengers for transportation over the lines of Pan American or any of its affiliated carriers, but excluding any fares payable to other carriers, under tickets and exchange orders issued by Panagra or its general agent in accordance with the provisions of this agreement; or (2) in case such transportation shall have been sold by or through



an agent of Panagra (other than a general sales agent of Panagra) or by another carrier authorized so to do,  $2\frac{1}{2}\%$  of the total amount of the fares for such transportation, excluding charges for excess baggage weight, and 10% of the excess baggage weight charges collected by Panagra or its general agent, either directly or through its agents, in the Panagra General Agency Territory, including fares for such passenger and excess baggage transportation sold in the Panagra General Agency Territory by such agents of Panagra or such carriers and furnished under Universal Air Travel Cards acceptable to Pan American or its affiliated carriers or under government transportation requests or warrants presented by passengers for transportation over the lines of Pan American or any of its affiliated carriers, but excluding any fares payable to other carriers, under tickets and exchange orders issued by Panagra in accordance with the provisions of this Agreement, plus the commission, if any, payable to such agents in {fol. 2150} accordance with the rules and regulations of Pan American then in effect, and of which Panagra has been advised, it being understood that in such case the commission, if any, payable to the agent, shall be paid to the agent and Panagra will retain the balance equal to  $2\frac{1}{2}\%$  of the fare and 10% of the excess baggage weight charges, and

(ii) *For Express or Cargo Transportation* over the lines of Pan American and its affiliated carriers a commission equal to either (1) in case such transportation shall have been sold directly by Panagra or a general sales agent of Panagra,  $7\frac{1}{2}\%$  of the total amount of the charges (not including valuation, insurance, C.O.D. or collect charges) for such transportation, collected by Panagra or its general agent in the Panagra General Agency Territory, or, in the case of collect shipments collected otherwise on behalf of Pan American or any of its affiliated carriers, including transportation sold in the Panagra General Agency Territory by Panagra or its general sales

agent and furnished under government bills of lading or similar warrants presented by shippers, but excluding any charges payable to other carriers, under airwaybills or other cargo transportation contracts issued by Panagra in accordance with the provisions of this Agreement; or (2) in case such transportation shall have been sold by or through an agent of Panagra (other than a general sales agent of Panagra) or by another carrier authorized so to do,  $2\frac{1}{2}\%$  of the total amount of such charges (not including valuation, insurance, C.O.D. or collect charges), collected by Panagra or its general agent either directly or through such agents in the Panagra General Agency Territory, or, in the case of collect shipments, collected otherwise on behalf of Pan American or any of its affiliated carriers, including transportation sold in the Panagra General Agency Territory by such agents or such carriers and furnished under government bills of lading or similar warrants furnished by shippers, but excluding any charges payable to other carriers under airway bills or other cargo transportation contracts issued by Panagra in accordance with the provisions of this Agreement, plus the commission, if any, payable to such agents in accordance with the rules and regulations of Pan American, it being understood that in such cases the commission, if any, payable to the agent shall be paid to the agent and Panagra will retain the balance equal to  $2\frac{1}{2}\%$  of the charges.

(b) In the case of sales made by Panagra outside the Panagra General Agency Territory:

(i) *For Passenger Transportation* over the lines of Pan American and its affiliated carriers, a commission equal to  $2\frac{1}{2}\%$  of the total amount of the fares for such transportation, excluding charges for excess baggage and valuation and insurance charges on baggage, collected by Panagra on behalf of Pan American or any of its affiliated carriers, including

fares for such transportation sold by Panagra and furnished under Universal Air Travel Cards acceptable to Pan American or its affiliated carriers or under Government transportation requests or warrants presented by passengers for transportation over the lines of Pan American or any of its affiliated carriers, but excluding any fares payable to other carriers under tickets and exchange orders issued by Panagra in accordance with the provisions of this Agreement; and

(ii) *For Express or Cargo Transportation* over the lines of Pan American and its affiliated carriers, a commission equal to 5% of the total amount of the charges (not including valuation, insurance, C.O.D. or collect charges) for such transportation, collected by Panagra, or, in the case of collect shipments collected otherwise on behalf of Pan American or any of its affiliated carriers, including transportation sold by Panagra and furnished under government bills of lading or similar warrants presented by shippers, but excluding any charges payable to other carriers [fol. 2192] under airway bills or other cargo transportation contracts issued by Panagra in accordance with the provisions of this Agreement.

(c) Any out-of-pocket expenses specifically requested and approved by Pan American which are incurred by Panagra in carrying out special services (including advertising or publicity) requested by Pan American under this Agreement, it being understood that routine expenses of distribution of information, timetables and advertising material to sub-agents and prospective travelers and shippers and similar activities which are classed as a general agent's normal sales promotional activities shall not be reimbursable hereunder.

Except with respect to transportation issued under Universal Air Travel Cards, government transportation requests or warrants, or government bills of lading or warrants or collect shipments, as provided above, the commissions shall be payable hereunder only in

respect of the aforementioned fares and charges actually collected by Panagra or the said sales agents and paid over to Pan American and no commission shall be payable with respect to any fare or charge which shall be refunded, except as otherwise specifically authorized by Pan American. Sales of express and cargo transportation, with transportation charges collect shall be deemed to have been made by the party who issued the airwaybill and not by the party who collects the charges.

6. In case Pan American or any of its affiliated carriers receives a commission from any other air, rail, water or bus carrier for the sale of such carrier's passenger tickets, exchange orders, or cargo transportation documents issued directly by Panagra or by an agent of Panagra in the Panagra General Agency Territory or elsewhere in connection with interline transportation over the lines of Pan American and its affiliated carriers and such other carrier, Pan American shall pay Panagra or such agents the amount of such commission.

7. Panagra hereby appoints Pan American, and Pan American agrees to act as, General Traffic and Sales Agent for Panagra in the United States of America and throughout the world except in Argentina, Bolivia, Colombia, Chile, Ecuador, Peru, Panama City, R.P., and the Panama Canal [fol. 2193] Zone, the territory in which Pan American is hereby appointed to act as General Traffic and Sales Agent being hereinafter sometimes referred to as the "Pan American General Agency Territory". As such General Traffic and Sales Agent, Pan American agrees that it will perform such services as may be appropriate to promote passenger, mail, express and cargo traffic over the lines of Panagra and to arrange for transportation of passengers, baggage, mail, express and cargo over such lines, including the furnishing of necessary personnel, office space, equipment and supplies and doing all other things appropriate to carry out the following activities:

(a) Solicitation and sale within the Pan American General Agency Territory of passenger, mail, express

and cargo transportation for Panagra, including furnishing instructions to, and supervision of such solicitation and sale by, any general sales agents of Pan American and sub-agents, appointed in accordance with this Agreement;

(b) Performance of such acts and preparation and checking of such documents in the Pan American General Agency Territory as may be required for the transportation of passengers, baggage, mail, express and cargo and movement of aircraft over the lines of Panagra, including the making of arrangements for the presence of such government officials as may be required in connection therewith;

(c) Checking such baggage of outgoing passengers at points in the Pan American General Agency Territory as is to be through checked from points served by Pan American or its affiliated carriers to points served by Panagra, it being understood that baggage of passengers traveling over the lines of Pan American or its affiliated carriers and then over the lines of Panagra will be through checked by Pan American or its affiliated carriers only if, and to the extent that, the parties shall expressly so agree, collecting for the account of Panagra any excess baggage charges payable with respect to any baggage checked by Pan American or its affiliated carriers for transportation over the lines of Panagra, receiving and forwarding by carriers with which Panagra or Pan American has [fol. 2194] warding arrangements any trunks or other heavy baggage delivered to Pan American or its affiliated carriers for the purpose of passengers traveling, or proposing to travel, over the lines of Panagra, and collecting any charges payable therefor;

(d) Making arrangements in the Pan American General Agency Territory on behalf of such passengers for transportation to and from airport terminals and for hotel accommodations at points of call of Panagra and Pan American and at other cities;

(e) Making reservations for and facilitating transportation over the lines of Panagra and connecting carriers;

(f) Furnishing such advice and information as Panagra may from time to time request with respect to transportation formalities required by governments in the Pan American General Agency Territory pertaining to passengers, baggage, express and cargo moving over the lines of Pan American or its affiliated carriers and Panagra;

(g) Distribution of timetables, advertising materials and other information to agents and the public covering the services of Panagra as Panagra may from time to time reasonably request;

(h) Maintaining and operating, at points served by Pan American or its affiliated carriers in the Pan American General Agency Territory and at such other points in the continental United States which Pan American shall from time to time determine, which points shall include New York, Chicago and Washington, centrally located sales offices for the sale of passenger, express and cargo transportation over the lines of Panagra, which offices shall be staffed with competent traffic and sales personnel for the promotion and sale of passenger, mail, express and cargo transportation over the lines of Panagra and for the handling of all matters pertaining thereto pursuant to this Agreement, it being contemplated that the entire sales organization of Pan American and its affiliated carriers will be available to perform services pursuant to this Agreement, but nothing contained in this Agreement [fol. 2195] shall obligate Pan American or its affiliated carriers to establish any new office or organization to render any service to Panagra at any point not served by Pan American or its affiliated carriers except as otherwise specifically provided herein with respect to the continental United States;

(i) Publicizing in the Pan American General Agency Territory, in such appropriate manner as Panagra



shall request, that Pan American is the General Traffic and Sales Agent for Panagra, which shall include, but not be limited to, appropriate statements to that effect in Pan American's advertising in the Pan American General Agency Territory relating to service to Latin America;

(j) Providing, when Panagra shall so request, at any of Pan American's principal sales offices, which for purposes of this Agreement are those referred to in subparagraph (b) of paragraph 11 of the Agreement dated July 30, 1946 between Pan American and Panagra (which Agreement as the same may be amended from time to time is hereinafter referred to as "The Through Flight Agreement"), as well as Miami, Florida, Los Angeles, California, San Francisco, California, New Orleans, Louisiana, and such others as shall be mutually agreed upon from time to time, at least one responsible sales representative who shall be assigned the specific and primary duty of developing and selling transportation over the lines of Panagra; and providing in other sales offices in the continental United States, in which Panagra may reasonably request it, similar responsible sales representatives who shall be assigned to such duties;

(k) Furnishing Panagra with appropriate reports, monthly and at such other times as may be requested by Panagra, as to the extent and character of sales made by each Pan American office or agency or its affiliated carriers for Panagra;

(l) Making personal visits in the United States through sales representatives to sub-agencies, and to persons and firms which have been or which are potential customers for transportation via Panagra, it being understood that, if Panagra so requests, a representative of Panagra may accompany Pan American's sales representatives on any such visits.

(m) Holding regular meetings, if requested by Panagra, between the appropriate representatives of Pan American and Panagra in the Pan American General

Agency Territory, at such intervals as shall be mutually agreed upon, to review ways and means of developing traffic, including the determination of sales policies and advertising progress for development of traffic over Panagra;

(n) Keeping Panagra's principal officers as currently informed as Pan American's principal officers with regard to developments coming to Pan American's attention affecting traffic over the lines of Panagra, including proposed schedules and tariff changes, activities of competitors, air mail and parcel post matters, and all other pertinent information pertaining to the sale and movement of interline traffic over the lines of Pan American or its affiliated carriers and Panagra, and consulting with Panagra as to Pan American's public educational activities, giving Panagra full opportunity to suggest how such activities may be conducted in a manner which will provide maximum benefit to Panagra;

(o) Requiring any general sales agent, appointed by Pan American to function on behalf of Pan American in lieu of a sales office operated directly by Pan American, to provide adequate sales office facilities, it being understood that all such offices, as well as offices operated by Pan American, shall be decorated and furnished in accordance with reasonable specifications and design in keeping with recognized airline practice and shall satisfy the functional requirements of such offices, that all such offices in the United States shall accentuate their identity as sales offices for Pan American and Panagra, and shall be furnished with modern office equipment and telephone installations adequate to provide the highest type of service to the public;

(p) Pan American's traffic and sales personnel, including that of its general sales agents, responsible for the handling and development of traffic over the lines of Panagra, shall be adequately trained in air-[fol. 2197] line practice and suitably indoctrinated in required procedures, methods and information to en-

able them to furnish satisfactory performance hereunder. A reasonable number of sales representatives in the United States of America who come in contact with the public in Pan American's principal sales offices shall be bilingual, i.e., English and Spanish speaking. The sales staff in the Pan American General Agency Territory shall not only include sales personnel sufficient to staff adequately Pan American offices and general sales agencies, but also shall include as many outside solicitors as may be reasonably required to produce the best sales effort for Panagra.

All action taken by Pan American as General Traffic and Sales Agent whether specifically referred to herein or otherwise, shall be in accordance with instructions, rules, regulations, rates and tariffs of Panagra. Panagra's representatives may from time to time visit Pan American's sales offices and general agencies for the purpose of discussing with Pan American's sales representatives any and all aspects of their selling activities for Panagra; provided, however, that Panagra shall consult with Pan American a reasonable time prior to making such visits regarding the purpose of such visits and a representative of Pan American may, if Pan American desires, accompany such representatives of Panagra on such visits.

8. Pan American agrees to designate as its agents for the purposes of this Agreement all of its authorized sales agents in the Pan American General Agency Territory, to appoint such additional agents as Panagra may from time to time request, all in accordance with, and upon such terms and conditions as shall be set forth in, the instructions (including published agency rules, regulations, policies and practices) given by Panagra and to cancel the appointment of any agent, for the purposes of this Agreement, upon request by Panagra.

9. Panagra hereby authorizes Pan American and its affiliated carriers to issue (a) tickets, or exchange orders exchangeable for tickets, for transportation of passengers, and (b) airwaybills or other appropriate forms of contract

[fol. 2198] for transportation of express and cargo over the lines of Panagra and to execute and issue all other documents necessary or appropriate for such transportation, all in the form, and subject to and in accordance with the tariffs, rates, rules, and regulations, and the terms, provisions and conditions of the tickets, airwaybills and other transportation contracts, prescribed and approved from time to time by Panagra, it being understood that no such ticket, exchange order, airwaybill or contract will be issued, unless an advance reservation shall have been made for the transportation, if required by such tariffs, rules and regulations and Pan American or one of its affiliated carriers shall have received payment of the total charges payable therefor at the point of issuance in accordance with such tariffs, rules and regulations, or shall have made arrangements satisfactory to Panagra for the collection of such charges, and Pan American will not, directly or indirectly, or through any agent or broker, or otherwise, rebate or remit any portion of the charges specified in said tariffs. Panagra agrees to accept such ticket, exchange order, airwaybill or contract so issued by Pan American or one of its affiliated carriers. Such airwaybills or contracts may provide for turning over to other transportation agencies for onward carriage by them of express or cargo destined to points beyond points served by Panagra, and in such event it is agreed that Panagra will act in accordance with the terms of such provision. In issuing tickets, exchange orders, airwaybills and contracts for transportation over the lines of Panagra, Pan American and its affiliated carriers shall be deemed to act only as agents for Panagra. Neither Pan American nor any of its affiliated carriers, including their officers, employees, agents, or servants, shall be liable, and Panagra agrees to indemnify and hold harmless Pan American and its affiliated carriers, including their officers, employees, agents or servants, from and against all claims, for any loss, damage, injury or delay of any nature whatsoever, including costs and expenses, which shall occur in connection with the air transport services of Panagra or in connection with the carrying out or failure to carry out of any obligation to third parties, arising by reason of action taken by Pan American or any of its

affiliated carriers as General Sales Agent for Panagra pursuant to this Agreement, unless such loss, damage, injury [fol. 2199] or delay shall be caused by the negligence or wilful misconduct of Pan American or one of its affiliated carriers, including their officers, employees, agents or servants.

Panagra shall furnish to Pan American and its affiliated carriers from time to time the aforementioned tariffs, rates, rules, regulations and information regarding the transportation services currently being offered by Panagra. Any act which Pan American or its affiliated carriers is authorized or permitted by this paragraph to take may be taken through an agent of Pan American or its affiliated carriers authorized in accordance herewith.

10. (a) In case Pan American or its affiliated carriers shall receive notice of any claim relating to transportation over the routes of Panagra, Pan American or its affiliated carriers will immediately notify Panagra of such notice, giving all pertinent information available.

(b) In case any tariff, rate, form of ticket or exchange order, airwaybill or other transportation contract, or any rule or regulation of Panagra relating to transportation over its lines, shall be modified or amended at any time, or in case any service of Panagra shall be suspended, modified or cancelled, Panagra will notify Pan American as far in advance as practicable of the effective date of any such modification, amendment, suspension or cancellation, it being understood that Panagra will indemnify and hold harmless Pan American and its affiliated carriers from and against all losses, including costs and expenses, by reason of claims insofar as they arise out of such modification, amendment, suspension or cancellation and the sale by Pan American or an affiliated carrier of transportation prior to receipt by Pan American of notice thereof, or in case of a sale by an affiliated carrier, prior to receipt of notice thereof by such carrier if transmitted promptly by Pan American.



(c) Pan American or its affiliated carriers shall make no refund of any fare or other sum relating to transportation over the lines of Panagra, unless such refund shall be in accordance with the tariffs, rules, regulations and instructions of Panagra.

(d) In case any claim shall be asserted against Pan American or any of its affiliated carriers in respect of transportation over the lines of Panagra, or in case any action at law, suit or proceeding shall be instituted against Pan American or any of its affiliated carriers relating thereto, Pan American shall promptly notify Panagra and promptly transmit to Panagra from time to time all communications, legal processes and other documents and information coming into the possession of Pan American and relating to such claim, action at law, suit or proceeding. Pan American shall permit Panagra to settle and to conduct the defense against any such action at law, suit or proceeding, and Pan American will cooperate with and assist Panagra, to the extent requested by Panagra, in settling or conducting the defense against any such claim, action at law, suit or proceeding.

11. Panagra hereby agrees to pay or reimburse to Pan American the following amounts:

(a) In the case of sales made in the Pan American General Agency Territory by Pan American or its affiliated carriers or any agent thereof:

(i) *For Passenger Transportation* over the lines of Panagra, a commission equal to either (1) in case such transportation shall have been sold directly by Pan American or its affiliated carriers or a general sales agent of Pan American, 10% of the total amount of the fares for such transportation (including excess baggage weight charges but excluding valuation and insurance charges on baggage) collected by Pan American or its general sales agent in the Pan American General Agency Territory including fares for such passenger and excess baggage trans-



portation sold in the Pan American General Agency Territory by Pan American or its general sales agent and furnished under Universal Air Travel Cards [fol. 2201] acceptable to Panagra or under government transportation requests or warrants presented by passengers for transportation over the lines of Panagra, but excluding any fares payable to other carriers under tickets and exchange orders issued by Pan American or its affiliated carriers or its general sales agent in accordance with the provisions of this Agreement; or (2) in case such transportation shall have been sold by or through an agent of Pan American or its affiliated carriers (other than a general sales agent of Pan American) or by another carrier authorized so to do,  $21\frac{1}{2}\%$  of the total amount of the fares for such transportation excluding charges for excess baggage weight, and  $10\%$  of the excess baggage weight charges, collected by Pan American or its general sales agent, either directly or through its agents in the Pan American General Agency Territory, including fares for such passenger and excess baggage transportation sold in the Pan American General Agency Territory by such agents of Pan American or such carriers and furnished under Universal Air Travel Cards acceptable to Panagra or under government transportation requests or warrants presented by passengers for transportation over the lines of Panagra, but excluding any fares payable to other carriers, under tickets and exchange orders issued by Pan American in accordance with the provisions of this Agreement, plus the commission, if any, payable to such agents in accordance with the rules and regulations of Panagra, then in effect, and of which Pan American has been advised, it being understood that in such case the commission, if any, payable to the agent, shall be paid to the agent and Pan American will retain the balance equal to  $21\frac{1}{2}\%$  of the fare and  $10\%$  of the excess baggage weight charges, and

(ii) *For Express or Cargo Transportation* over the lines of Panagra, a commission equal to either (1) in

case such transportation shall have been sold directly [fol. 2202] by Pan American or a general sales agent of Pan American,  $7\frac{1}{2}\%$  of the total amount of the charges (not including valuation, insurance, C.O.D. or collect charges) for such transportation collected by Pan American or its general sales agent in the Pan American General Agency Territory or, in the case of collect shipments, collected otherwise on behalf of Panagra, including transportation sold in the Pan American General Agency Territory by Pan American or its general sales agent and furnished under government bills of lading or similar warrants presented by shippers, but excluding any charges payable to other carriers, under airwaybills or other cargo transportation contracts issued by Pan American or any of its affiliated carriers in accordance with the provisions of this Agreement; or (2) in case such transportation shall have been made by or through an agent of Pan American (other than a general sales agent of Pan American) or by another carrier authorized so to do,  $21\frac{1}{2}\%$  of the total amount of such charges (not including valuation, insurance, C.O.D. or collect charges) collected by Pan American or its general agent either directly or through such agents in the Pan American General Agency Territory or, in the case of collect shipments, collected otherwise on behalf of Panagra, including transportation sold in the Pan American General Agency Territory by such agents or such carriers and furnished under government bills of lading or similar warrants furnished by shippers, but excluding any charges payable to other carriers under airwaybills or other cargo transportation contracts issued by Pan American or any of its affiliated carriers in accordance with the provisions of this Agreement plus the commission, if any, payable to such agents in accordance with the rules and regulations of Panagra, it being understood that in such cases the commission, if any, payable to the agent shall be paid to the agent and Pan American will retain the balance equal to  $21\frac{1}{2}\%$  of the charges.

[fol. 2203] (b) In the case of sales made by Pan American or any of its affiliates except *Compania de Argentina*

*Aviacion Pan American S.A.* outside the Pan American General Agency Territory:

(i) *For Passenger Transportation* over the lines of Panagra a commission equal to 7½% of the total amount of the fares for such transportation, excluding charges for excess baggage and valuation and insurance charges on baggage, collected by Pan American or any of its affiliated carriers on behalf of Panagra including fares for such transportation sold by Pan American or any of its affiliated carriers and furnished under Universal Air Travel Cards acceptable to Panagra, or under government transportation requests or warrants presented by passengers for transportation over the lines of Panagra, but excluding any fares payable to other carriers under tickets and exchange orders issued by Pan American or any of its affiliated carriers in accordance with the provisions of this Agreement; and

(ii) *For Express or Cargo Transportation* over the lines of Panagra, a commission equal to 5% of the total amount of the charges (not including valuation, insurance, C.O.D. or collect charges) for such transportation, collected by Pan American or any of its affiliated carriers, or, in the case of collect shipments, collected otherwise on behalf of Panagra, including transportation sold by Pan American or any of its affiliated carriers and furnished under government bills of lading or similar warrants presented by shippers, but excluding any charges payable to other carriers under airwaybills or other cargo transportation contracts issued by Pan American or any of its affiliated carriers in accordance with the provisions of this Agreement.

(c) Any out-of-pocket expenses specifically requested and approved by Panagra which are incurred by Pan American or its affiliated carriers in carrying out

special services (including advertising or publicity) [fol. 2204] requested by Panagra under this Agreement, it being understood that routine expenses of distribution of information, timetables and advertising material to sub-agents and prospective travelers and shippers and similar activities which are classed as a general agent's normal sales promotion activities shall not be reimbursable hereunder.

Except with respect to transportation issued under Universal Air Travel Cards, government transportation requests or warrants, government bills of lading or warrants, or collect shipments, as provided above, commissions shall be payable hereunder only in respect of the aforementioned fares and charges actually collected by Pan American or its affiliated carriers or the said sales agents and paid over to Panagra, and no commission will be payable with respect to any fare or charge which shall be refunded, except as otherwise specifically authorized by Panagra. Sales of express and cargo transportation with transportation charges collect shall be deemed to have been made by the party who issues the airwaybill and not by the party who collects the charges.

12. In case Panagra receives a commission from any other air, rail, water or bus carriers for the sale of such carriers' passenger tickets, exchange orders or cargo transportation documents issued directly by Pan American or its affiliated carriers or by an agent thereof in the Pan American General Agency Territory or elsewhere in connection with interline transportation over the lines of Panagra and such other carrier, Panagra shall pay Pan American, its affiliated carriers or such agents, the amount of such commission.

13. All amounts payable hereunder, including all amounts collected on behalf of either party for transportation sold, shall be paid by crediting Panagra or Pan American, as the case may be, in open account in U. S. currency. The amounts payable in respect of each month to be so credited as soon after the end of such month as is practicable. Settlement of balances in said open account or accounts

shall be made in U. S. currency in accordance with arrangements agreed upon from time to time between the parties.

14. Nothing herein contained shall be deemed to require Panagra or Pan American or any of its affiliated carriers [fol. 2205] to initiate or maintain service between any particular points.

15. All expense for telegrams, cables, radiograms or other communications sent in connection with or pursuant to this Agreement, including communications relating to reservations and cancellations of reservations, shall be borne by the sender.

16. (a) In transferring shipments of interline baggage, accompanied or unaccompanied, and cargo, from Pan American or any of its affiliated carriers to Panagra, or vice versa, pursuant to this Agreement, it shall be the responsibility of the party from whose lines the shipment is transferred, but without incurring any liability for loss of revenue in cases of missed connections, to deliver such baggage or cargo to the other party at such location and hours as shall be agreed upon in writing by the parties.

(b) Whenever baggage or cargo is to be transferred for onward transportation hereunder and completion of such transportation necessitates compliance with the laws and regulations pertaining to importation and transit or exportation and transit of the country of the point of transfer, it shall be the responsibility of the transferring party to comply with such laws and regulations and to deliver, where necessary, to the onward carrying party prior to or simultaneously with the transfer, proper evidence of compliance with that country's laws and regulations pertaining to such importation and transit, or exportation and transit; provided, however, that in any case where compliance with such laws and regulations can be made only by the onward carrying party, it shall be the onward carrying party's responsibility to comply therewith.

17. In the event that Pan American shall have made arrangements with any other carrier (hereinafter referred to as an "Interline Agreement"), pursuant to which Pan American and its affiliated carriers are authorized to sell transportation over the lines of such other carrier and such other carrier is authorized to sell transportation over the lines of Pan American and its affiliated carriers, it is understood that Panagra is an affiliated carrier of Pan [fol. 2206] American for the purposes of the Interline Agreement and Panagra is hereby authorized to sell transportation, and agrees to honor transportation sold, pursuant to the Interline Agreement, subject to all the terms and conditions thereof. The basis of compensation and the other principal features of all Interline Agreements in effect at the time will be set forth in the appropriate instructions, tariffs, rules and regulations currently furnished to Panagra by Pan American and copies of such agreements will be furnished to Panagra upon request.

In the event that Panagra shall have made arrangements with any other carrier (hereinafter referred to as "Panagra Interline Agreement"), pursuant to which Panagra is authorized to sell transportation over the lines of such other carrier and such other carrier is authorized to sell transportation over the lines of Panagra, it is understood that Panagra may and is hereby authorized to make provision in the said Panagra Interline Agreement whereby Pan American and its affiliated carrier is authorized to sell transportation over the lines of such other carrier and such other carrier is authorized to sell transportation over the lines of Pan American and its affiliated carrier. Copies of all such agreements will be furnished to Pan American promptly after execution.

It is further understood that, with respect to any transportation sold in accordance with an Interline Agreement or a Panagra Interline Agreement:

(a) Settlement will be effected between Pan American and Panagra in the same manner as settlement is effected with respect to transportation sold pursuant to this Agreement, or in such other manner as may be mutually agreed upon;



(b) Panagra shall have all of the rights and obligations, and only the rights and obligations, provided under such Interline Agreement with respect to affiliated carriers of Pan American;

(c) Pan American and its affiliated carriers shall have all of the rights and obligations, and only the rights and obligations, provided under such Panagra Interline Agreement with respect to Pan American and its affiliated carriers;

(d) Except as otherwise provided for in Paragraph [fol. 2207] 5(i), 5(ii), 11(i) and 11(ii) hereof, no commission or other compensation or payment (including reimbursement of commissions or payment to sub-agents or others) will be paid by or to Panagra except to such extent as may be provided in the Interline Agreement or the Panagra Interline Agreement as the case may be;

(e) In the case of the Interline Agreement, Panagra agrees to indemnify and hold harmless Pan American from and against all claims, including costs and expenses, and to reimburse Pan American for all amounts paid by Pan American pursuant to the Interline Agreement or otherwise by reason of any action taken by Panagra pursuant to this paragraph 17. In the case of the Panagra Interline Agreement, Pan American agrees to indemnify and hold harmless Panagra from and against all claims, including costs and expenses, and to reimburse Panagra for all amounts paid by Panagra pursuant to the Panagra Interline Agreement or otherwise by reason of any action taken by Pan American pursuant to this paragraph 17.

18. (a) In case Pan American shall take action of any kind in connection with the sale by Panagra of transportation over the lines of a carrier with which Pan American has an interline agreement, or the sale by any such carrier of transportation over the lines of Panagra, Pan American shall be deemed to be acting only as agent for the carrier over whose lines such transportation is to be carried out and shall be

under no liability to Panagra in connection therewith, including, but without limitation, liability for payment of commissions or other payment unless collected by Pan American on behalf of Panagra, except that Pan American shall be liable for any loss or damage resulting from its own negligence or wilful misconduct.

(b) In any case Panagra shall take action of any kind in connection with the sale by Pan American or any of its affiliated carriers of transportation over the lines of a carrier with which Panagra has an interline agreement, or the sale by any such carrier of transportation over the lines of Pan American or any of its affiliated carriers, Panagra shall be deemed to be [fol. 2208] acting only as agent for the carrier over whose lines such transportation is to be carried out and shall be under no liability to Pan American or any of its affiliated carriers in connection therewith, including, but without limitation, liability for the payment of commissions or any other payments unless collected by Panagra on behalf of Pan American or any of its affiliated carriers, except that Panagra shall be liable for any loss or damage resulting from its own negligence or wilful misconduct.

19. Each party shall be liable for, and shall reimburse, defend and hold harmless the other, from and against all loss, including costs and expenses relating thereto, arising out of any action taken by such party contrary to or omitted to be taken by such party in accordance with this Agreement. Without limiting the generality of the foregoing, it shall cover loss resulting from fines, penalties or detention expenses imposed by any government or governmental agency (or which any government or governmental agency attempts to impose) provided, however, that when such loss is incurred in any case involving the following circumstances, it shall be charged as follows:

(a) When the fines, penalty or detention expense involves a passenger who is ticketed for a stopover at the point of transfer from lines of one party to the lines of the other, the loss involved shall be for the account of the onward carrying party.

(b) When the fine, penalty or detention expense results from facts not apparent upon reasonable examination at the time the passenger was processed for travel at the original point of departure or stop-over point referred to in subparagraph (a) above, as the case may be, his qualifications for entry into the country imposing such fine, penalty or detention expense having appeared to be proper and complete (including, but not limited to, cases involving errors on the part of consular officials and changes of law or regulations while the passenger was en route), such loss shall be prorated between Panagra, Pan American and its affiliated carriers in proportion to the revenue which each shall receive from the carriage of the passenger.

[fol. 2209] The party against which any fine, penalty or detention expense is imposed (even though the loss resulting therefrom is, by the terms of this Agreement, subject to reimbursement in whole or in part by another party) shall be responsible for the defense thereof, it being understood that all reasonable efforts shall be taken by such party to obtain the remission of such fine, penalty or detention expense. Each interested party will cooperate and assist the defending party to the extent reasonably requested of it, furnishing all data and information related to such fine, penalty or detention expense in its possession or available to it.

20. Amounts paid by Pan American or its affiliated carriers or Panagra in settlement of claims for concealed loss or damage (i.e., loss or damage not observed or detected and recorded prior to delivery to the passenger or consignee) to express, cargo or baggage transported over the lines of Panagra and of Pan American or its affiliated carriers, as the case may be, shall, after crediting any amounts received from other carriers, not affiliated carriers of Pan American, in respect of such loss or damage, be prorated between Pan American and Panagra on the basis of the ratio of the miles of carriage performed by

Panagra, on the one hand, and Pan American and its affiliated carriers on the other, with respect of such express, cargo or baggage.

21. Any claim or controversy arising out of or relating to this Agreement or to the manner of performance of breach thereof shall be referred to, and settled by, arbitration in the manner provided in paragraph 25 of the Through Flight Agreement.

22. The term "affiliated carriers" whenever used in this Agreement shall, for the purpose hereof, be deemed to mean such companies, other than Panagra, engaged in the transportation of passengers, mail, express or cargo by air, in which Pan American or any company owning a majority of the capital stock of Pan American, owns a stock interest and which Pan American may from time to time designate in writing to Panagra; provided, however, that whenever Pan American shall make such designation of an affiliated carrier for any portion of the Western hemisphere, it shall first obtain the advance written approval [fol. 2210] of the President of Panagra and shall terminate such designation whenever the President of Panagra shall so request on ninety days' written notice. If the President of Panagra fails to approve such designation or requests the termination thereof, Panagra will, at the written request of Pan American, release Pan American from its obligations to act as General Traffic and Sales Agent for that part of the Western hemisphere covered by such designation and will execute appropriate amendments to the Through Flight Agreement.

23. This Agreement cancels and supersedes all existing arrangements between the parties relating to the same subject matter, except that it shall not cancel, supersede, or in any way modify any provision of, or obligation specified in, the Through Flight Agreement, provided, however, that the Through Flight Agreement shall be modified in the event of the contingency specified in paragraph 22 hereof, nor shall this Agreement modify any provision of an agreement dated July 30, 1946 between W. R. Grace & Co. and Pan American Airways Corporation or an agree-

ment dated July 14, 1948 between Pan American, Panagra and W. R. Grace & Co. relating to parent company services and compensation therefor.

24. Neither party may assign this Agreement or any obligation imposed on such party hereunder; provided, however, that nothing herein contained shall prevent either party from carrying out its obligations hereunder in all or any portion of its General Agency Territory through a general sales agent, subject to the following conditions:

(a) The appointment of any such general sales agent shall not release such party from its obligations hereunder;

(b) The entire commission payable hereunder with respect to any action in the territory for which such general sales agent is appointed shall be paid to such general sales agent; and

(c) The party appointing any such general sales agent shall notify the other in writing of such appointment and the territory to which it relates and of any change in such appointment or territory; and

(d) Such general sales agent acting for the purposes of this Agreement shall be, and remain throughout the duration of the appointment for such purposes, a general sales agent acting for the appointing party in the territory to which the appointment relates.

[fol. 2211] 25. The provisions of this Agreement shall be subject to any applicable rule or resolution, including but not limited to rules or resolutions relating to commissions, of the International Air Transport Association or the Air Traffic Conference of America or any similar body or organization, or any branch, committee or conference thereof which is binding upon either party to this Agreement, or to any applicable agreement made by either party to this Agreement and approved by the International Air Transport Association, the Air Traffic Conference of America, or any such similar organization which is binding upon

either party to this Agreement, and said provisions shall be deemed to be amended by any such rule, resolution or agreement. Information applicable to this Agreement regarding such rules, resolutions and agreements which are not directly available to either party hereto as a member of the organization which adopted or approved the same, will be furnished to the other party within a reasonable time after the effective date thereof.

26. Any notice required or permitted to be given pursuant to this Agreement shall be duly given if sent by mail or delivered by hand, in the case of notice to Pan American, to the Vice President—Traffic and Sales, Pan American Airways, Inc., 135 East 42nd Street, New York 17, New York, United States of America, or to such other person or such other address as Pan American may from time to time designate for that purpose, and in the case of notice to Panagra, to the General Traffic Manager, Pan American-Grace Airways, Inc., 135 East 42nd Street, New York 17, New York, United States of America, or such other person or such other address as Panagra may from time to time designate for that purpose.

27. This Agreement shall become effective on *September 10, 1948*, and shall continue in effect until May 5, 1950; provided, however, that either party may after that date terminate this Agreement by giving six (6) months' written notice of termination to the other party. Termination of this Agreement shall not relieve either party from any obligation or liability on its part arising from or connected with tickets, exchange orders, airwaybills or other contracts for transportation issued or effective prior to such [fol. 2212] termination nor shall it relieve either party from any liability on its part based upon any state of facts existing prior to such termination.

IN WITNESS WHEREOF, Pan American and Panagra have caused this Agreement to be executed in their cor-

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*Italicized material added and initialed but initials illegible.*



porate names by their respective officers thereunto duly authorized.

PAN AMERICAN AIRWAYS, INC.

By /s/ WILLIS G. LIPSCOMB  
Vice President-Traffic & Sales

WITNESSES:

(Two signatures illegible)

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL  
Vice President

WITNESSES:

(Two signatures illegible)

[fol. 2213]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 47

I, Joseph J. Cantwell, hereby certify that I am Assistant Secretary of Pan American World Airways, Inc.; that the attached document is a true and complete copy of the document evidencing the following agreement:

Letter Agreement, dated December 10, 1951, between Pan American World Airways, Inc., and Pan American-Grace Airways, Inc., providing for the handling of Pan American passenger sales for the account of Panagra on a lift basis in lieu of the previous sales reporting procedure.

/s/ JOSEPH J. CANTWELL  
Assistant Secretary

Dated: May 12, 1952

[fol. 2214]

(Letterhead of Pan American-Grace Airways, Inc.,  
New York 17, N. Y.)

Subject: LIFT VS. SALES

December 10, 1951

Mr. J. S. Woodbridge, Comptroller  
Pan American World Airways, Inc.  
135 East 42nd Street  
New York 17, N. Y.

Dear Mr. Woodbridge:

Sometime ago you asked that Panagra give consideration to handling HAA passenger sales for account of Panagra on a lift basis in lieu of the present sales reporting procedure which has been the practice up to now. On the basis of discussions with you, I am pleased to confirm our agreement to change over to a lift basis as from November 1, 1951 with the understanding that you are agreeable to accepting a surcharge equivalent to 2% of the net charge between our two companies each month corresponding to passenger tickets lifted, it being understood that the 2% surcharge is to compensate Panagra for the breakage on unflown tickets and is based upon Panagra's ratio of unflown tickets written off to Revenue during the past two calendar years. In adopting the foregoing change in procedure, it is understood that either company may at six-months intervals request a prospective review of the arrangement, should any inequities develop.

In our discussions you mentioned that PAA was agreeable to considering placing a deposit with Panagra equivalent to any estimated lag in the receipt of cash liquidations on a lift basis. Panagra is not at this time suggesting such a deposit, but I wish to reserve the right to bring the matter up for consideration at a future date if experience indicates any appreciable inequity to Panagra.

If the foregoing correctly states our understanding, will you please so indicate in the space provided below.

Yours very truly,

/s/ K. A. LAWDER

K. A. Lawder

Vice President & Comptroller

ACCEPTED:

/s/ J. S. WOODBRIDGE

J. S. Woodbridge, Comptroller

cc: ABShea DCampbell

EBalluder JTShannon

[fol. 2215]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 48

(Letterhead of Pan American-Grace Airways, Inc.,  
New York 5, N. Y.)

March 6, 1956

Pan American World Airways, Inc.

135 East 42nd Street

New York 17, N. Y.

Gentlemen:

Reference is made to your letter of January 5, 1956. In that letter you refer to your letter to us dated December 1, 1948, designating certain carriers as affiliated carriers of Pan American pursuant to paragraph 22 of the General Traffic and Sales Agency Agreement between our respective companies, dated September 10, 1948, and you propose the following changes in the designation of such carriers:

- 1) Effective as of January 1, 1955, Panair do Brasil, S.A., acts as General Traffic and Sales Agent for Pan American in Brazil and Paraguay, except that they will not act as General-Traffic and Sales Agent with respect to the sale of passenger transportation in the Federal Dis-

trict and State of Rio and in the State of Sao Paulo, and Panair do Brasil, S.A., will act as General Traffic and Sales Agent for Panagra in such countries except as indicated above.

- 2) Pan American hereby designates Aeronaves de Mexico, S.A., pursuant to the provisions of paragraph 22 of the General Traffic and Sales Agency Agreement between our respective companies, dated September 10, 1948, as an affiliated carrier of Pan American solely with respect to matters relating to interline sales and Panagra acting as General Traffic and Sales Agent under said Agreement.

This letter will constitute the written approval to the foregoing changes as required by paragraph 22 of the said [fol. 2216] General Traffic and Sales Agency Agreement to be given by the President of Panagra, except that insofar as concerns payment of commissions, it will be necessary for us to use an effective date of January 1, 1956 for the changes in the territory in which Panair do Brasil acts as Panagra's General Agent. I understand that this point has been discussed and agreed between our respective accounting departments.

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

/s/ ANDREW B. SHEA  
Andrew B. Shea  
President

[fol. 2217]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 49

(Letterhead of Pan American-Grace Airways, Inc.,  
New York 5, N. Y.)

[Stamp—Received—Apr 24 1956—John C. Leslie]

April 24, 1956

Pan American World Airways, Inc.  
135 East 42nd Street  
New York 17, N. Y.

Dear Sirs:

This will confirm our understanding with respect to your purchasing services in connection with the purchase by Panagra of four DC-8 aircraft, spare engines, components and parts (hereinafter collectively called "spares") therefor, as authorized by the Panagra Board of Directors at its meeting on December 20, 1955, and in connection with the purchase of two additional DC-8 aircraft and spares therefor in case the option which you have granted to Panagra with respect to such two additional aircraft is exercised.

Pan American will perform purchasing services as agent for Panagra in accordance with the purchasing and shipping agreement dated July 14, 1948, in connection with the purchases of said aircraft and spares, subject to the exceptions below.

The commissions to be payable by Panagra to Pan American for such services in respect of said six DC-8 aircraft and the initial provisioning of spares therefor will be at the following rates:

[fol. 2218] 2½% on the first \$5,000,000 of purchase price

1½% on the next \$5,000,000 of purchase price

1% on the balance of the purchase price

Provided, however, that the purchase price of the original four DC-8 aircraft and spares shall be taken into account

to determine the rates of commission applicable to the two aircraft and spares on option only if the scheduled delivery dates therefor are not later than one year after the scheduled delivery date for the last of said four aircraft.

As used herein, the term "initial provisioning of spares" shall mean all spares for DC-8 aircraft in respect of which Panagra has authorized or placed firm orders prior to the scheduled date for delivery to Panagra of the first DC-8 aircraft.

The commissions payable to Pan American as provided herein will be paid by Panagra as follows:

- 25% one year after the date of this letter
- 25% two years after the date of this letter
- 25% three years after the date of this letter.

The balance upon delivery of the aircraft or equipment to which such commissions relate

The first three payments will be based upon the estimated aggregate purchase price, and the final payment will be adjusted to reflect the final purchase price.

Your commissions for all purchasing services rendered to Panagra other than those provided for herein will be [fol: 2219] at the rates specified in the purchasing and shipping agreement dated July 14, 1948.

If the foregoing correctly sets forth our understanding, will you kindly sign and return to us the enclosed copy of this letter.

• Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ ANDREW B. SHEA  
President

ACCEPTED: April 25, 1956

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ J. C. LESLIE  
V.P.



[fol. 2220]

PAN AMERICAN WORLD AIRWAYS, INC., EXHIBIT 50

(Letterhead of Pan American World Airways System,  
New York 17, N. Y.)

[Stamp—Received in the Office of Vice Pres. & Gen'l  
Counsel—Jul-5 1957]

June 26, 1957

Pan American-Grace Airways, Inc.  
135 East 42nd Street  
New York 17, New York

Attention: Mr. Douglas Campbell,  
Vice President & General Manager

Dear Sirs:

Reference is made to the Lease Agreement dated September 9, 1955 between our respective companies, relating to the lease by Panagra to Pan American of four (4) Douglas Model DC-6 aircraft and to the lease by Pan American to Panagra of one (1) Douglas Model DC-6B aircraft.

Your letter to us dated September 9, 1955, relating to such modifications to the leased aircraft as are described in Douglas Service Bulletins Nos. 558 and 569 and which may be required by a mandatory Civil Aeronautics Administration (CAA) airworthiness directive, states that the cost of any such modifications will be for the account of the lessor. We have heretofore requested that Panagra incorporate into the four (4) Douglas Model DC-6 aircraft leased to Pan American the modifications described in Douglas Service Bulletin No. 569, even though the accomplishment of such modifications has not been made mandatory by a CAA airworthiness directive. This letter, when accepted by you, will confirm our agreement with respect to the following matters relating to the accomplishment of such modifications:

1. Pan American has heretofore issued its purchase order to cover the procurement, as agent for Panagra, of four

(4) kits of parts required for the accomplishment of the modifications described in Douglas Service Bulletin No. 569, at the price of \$21,500 for each kit. Such purchase order was issued to the Douglas Aircraft Company, Inc., in accordance with the provisions of the Purchasing and Shipping Agreement between our respective companies [fol. 2221] dated July 14, 1948.

2. Pan American will, as agent for Panagra, issue its purchase order to the Douglas Aircraft Company, Inc. to cover accomplishment of the modifications described in Douglas Service Bulletin No. 569, in the four (4) Model DC-6 aircraft leased to Pan American under the above mentioned Lease Agreement, including installation of the parts referred to in paragraph 1 above. Such modification work will be performed by the Douglas Aircraft Company at its plant at Tucson, Arizona, and the estimated cost of such work is \$93,487 per aircraft.

3. All costs payable to Douglas Aircraft Company, Inc. pursuant to paragraphs 1 and 2 above, and all other costs payable pursuant to the terms of the aforementioned purchase orders, shall be borne by Panagra.

4. In consideration of your agreement to have such modifications incorporated at your expense in the aircraft leased to Pan American even though the accomplishment of such modifications has not been made mandatory by a CAA airworthiness directive, no commission provided for in paragraph 5 of the above mentioned Purchasing and Shipping Agreement will be payable by Panagra to Pan American in connection with the purchase orders issued in accordance with the provisions of paragraphs 1 and 2 above. Likewise Pan American, at its cost and with its personnel, will ferry the aircraft from Miami, Florida to the Douglas plant at Tucson, Arizona and return. All other terms and conditions set forth in the Purchasing and Shipping Agreement dated July 14, 1948 between our respective companies shall be deemed to be applicable to the transactions referred to in paragraphs 1 and 2 above.

If the foregoing correctly sets forth our understanding in regard to these matters, will you please indicate your

acceptance on the enclosed copy of this letter and return the same to us. This letter supersedes our letter to you dated June 4, 1957, relating to the same subject matter.

Very truly yours,

PAN AMERICAN WORLD AIRWAYS, INC.

/s/ JOHN C. LESLIE  
John C. Leslie  
Admin. Vice President

ACCEPTED: July 1, 1957

PAN AMERICAN-GRACE AIRWAYS, INC.

By /s/ DOUGLAS CAMPBELL

[Col. 2222]

I, Josiah Macy, Jr., hereby certify that I am Assistant Secretary of Pan American World Airways, Inc.; that the attached documents are true and complete copies of the documents evidencing the following agreement:

Exchange of correspondence dated respectively June 3, June 7 and June 26, 1957, between Pan American World Airways, Inc. (Pan American) and Pan American-Grace Airways, Inc. (PANAGRA), whereby the designation of Aerovias Nacionales de Colombia, S.A. (AVIANCA), as an affiliated carrier of Pan American under the General Traffic and Sales Agency Agreement dated September 10, 1948, between Pan American and PANAGRA, shall be terminated effective June 18, 1957, with respect to the Republic of Peru, so that Peru shall cease to be a part of the territory in which PANAGRA will act as General Traffic and Sales Agent for AVIANCA pursuant to the said General Traffic and Sales Agency Agreement. (CAB No. 2473).

S. JOSIAH MACY, JR.  
Assistant Secretary

DATED: July 10, 1957

[fol. 2223]

[Stamp—Conformed Copy].

[Stamp—Received—Jun 5 1957]

[Handwritten signatures—Mr. Balluder—Mr. Pirie]

June 3, 1957

Pan American World Airways, Inc.  
135 East 42nd Street  
New York 17, N. Y.

*Attention: Vice President Traffic & Sales*

Dear Sirs:

By letter dated December 1, 1948, Pan American designated certain airlines as "affiliated carriers" pursuant to paragraph 22 of the General Traffic and Sales Agency Agreement dated September 10, 1948, between Pan American and Panagra. Among the carriers so designated was Aerovías Nacionales de Colombia (AVIANCA).

By letter dated February 9, 1949, the President of Panagra gave his approval of such designation as required by paragraph 22 of the said General Traffic and Sales Agency Agreement. These designations have since been modified by letters dated January 5, 1956, from Pan American to Panagra, and March 6, 1956, from Panagra to PAA.

This letter constitutes a request pursuant to the said paragraph 22 that the designation of AVIANCA as an affiliated carrier of Pan American be terminated with respect to the Republic of Perú, so that Perú shall cease [fol. 2224] to be a part of the territory in which Panagra will act as General Traffic and Sales Agent for AVIANCA pursuant to the said General Traffic and Sales Agency Agreement. Although the provisions of paragraph 22 specify that the request for termination be given on ninety days' notice, we request that the ninety-day notice provision be waived in this instance, and that such termination be made effective on the date on which AVIANCA inaugurates its proposed service to Perú.

Very truly yours,

Andrew B. Shea  
President

[fol. 2225]

[Stamp—Conformed Copy]

June 7, 1957

Pan American-Grace Airways, Inc.  
7 Hanover Square  
New York, New York

Attention: Mr. Andrew B. Shea,  
President

Dear Sirs:

We wish to acknowledge receipt of your letter dated June 3, 1957, requesting that the designation of Aerovias Nacionales de Colombia, S.A. (Avianca) as an affiliated carrier of Pan American under the General Traffic and Sales Agency Agreement dated September 10, 1948 between our respective companies be terminated with respect to the Republic of Peru.

Your letter states that, although the provisions of paragraph 22 of the General Traffic and Sales Agency Agreement specify that the request for termination be given on ninety (90) days notice, Panagra requests that the ninety (90) days provision be waived in this instance and that such termination be made effective on the date on which Avianca inaugurates its proposed service to Peru. We are taking this matter up with Avianca, and will advise you as soon as we have been able to make appropriate arrangements with them.

Very truly yours,

PAN AMERICAN WORLD AIRWAYS, INC.

Original signed by  
WILLIS G. LIPSCOMB

Willis G. Lipscomb  
Vice President, Traffic & Sales

cc: Vice Pres. Balluder  
Exec. Vice Pres. Morrison—MIA  
Comptroller  
Treasurer  
Mr. J. A. Mannion

JAM:VS

2308

[fol. 2226]

[Stamp—Conformed Copy]

[Stamp—Received in the Office of Vice Pres. & Gen'l Counsel—Jun 27, 1957]

June 26, 1957.

Pan American-Grace Airways, Inc.  
7 Hanover Square  
New York, New York

Attention: Mr. Andrew B. Shea, President

Dear Sirs:

With further reference to your letter of June 3 and my reply of June 7, you will please be advised that the General Traffic & Sales Agency Agreement between Pan American World Airways, Inc. and Aerovias Nacionales de Colombia, S.A. (Avianca) has been amended, effective June 16, 1957, so as to exclude Peru from the territory in which Pan American and its affiliated carriers act as General Traffic & Sales Agents for Avianca.

Cordially,

Original signed by  
WILLIS G. LIPSCOMB

Willis G. Lipscomb

cc: Vice President Balluder  
Executive Vice President Morrison  
Comptroller  
Treasurer  
Mr. Mannion ✓  
Director—Traffic w/a



[fol. 2227]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 51

## FINAL

## GENERAL TRAFFIC AGREEMENT

THIS AGREEMENT, made and entered into this 11th day of March, 1932, by and between PAN AMERICAN AIRWAYS, INC., a New York corporation, having its principal office in New York, N. Y., (hereinafter called "Pan American"), party of the first part, and SOCIEDAD COLOMBO-ALEMANA DE TRANSPORTIS AFRIOS, a Colombian corporation, having its principal office at Barranquilla, in the Republic of Colombia, (hereinafter called "Scadta"), party of the second part,

## WITNESSETH:

WHEREAS, Pan American and its affiliated companies specified in the definition of the term "Operating Affiliate" in Paragraph "SECOND" below are engaged in the general business of the transportation of passengers and property by air in the Continental United States, the Bahamas, West Indies, Virgin Islands, the Windward and Leeward Islands, Trinidad, the Guianas, Mexico, Canal Zone, and Central and South America, and in the interior of certain of said countries; and

WHEREAS, Scadta is engaged in the general business of the transportation of passengers and property by air in Colombia, and has contracts for air transportation service in Venezuela, Ecuador and Panama; and

WHEREAS, the parties desire to cooperate for their mutual advantage, in the manner herein contemplated,

NOW, THEREFORE, for and in consideration of the sum of One Dollar (\$1.00) cash in hand paid by each of the parties hereto to the other, the receipt whereof is hereby acknowledged, and of other good and valuable considerations, the parties hereto mutually agree as follows:

FIRST: That this agreement shall not in any way affect, or relate to, and that the performance of same shall not

in any way interfere with, the transportation, handling, dispatch or distribution of mails carried by Scadta or Pan American or any company affiliated with Pan American [fol. 2228] in the Pan American Airways System.

**SECOND:** That for the purposes of this agreement the following definitions of the terms used herein are adopted and shall apply:

The term "Operating Affiliate" shall refer to the following named companies, and such other companies as Pan American Airways, Inc. may from time to time, after notice to Scadta, designate to be included within such term for the purposes of this agreement:

Panair do Brasil, S. A., and Cia. Mexicana de Aviacion, S. A.

The term "common points" shall mean points where both Scadta and Pan American, or both Scadta and any Operating Affiliate, are engaged in receiving and/or dispatching persons and/or property by air.

**THIRD:** Pan American agrees (a) to direct, or cause its Operating Affiliate or Affiliates to direct, to the offices of Scadta, at common points, persons carried by Pan American or its Operating Affiliate or Affiliates to, or coming to its or their offices at, common points, who signify an intention or desire to travel by air to points then served by the lines of Scadta, or to such points and thence by any means to other points, and (b) to tender, or cause its Operating Affiliate or Affiliates to tender, to Scadta, at common points, all shipments of property carried by Pan American or its Operating Affiliate or Affiliates to, or coming to its or their offices at, common points, and consigned, or to be consigned, for carriage therefrom by air, or by air and/or a transportation service of the nature and character of the transportation service operated by Scadta, to points to which the transportation service operated by Scadta extends, or to such points and thence by any means to other points; provided that such person or the consignor of such property does not require that the transportation shall be by some other route or by some other service or does not prescribe requirements inconsistent with Scadta's rates, tariffs, rules, regulations and

form of contract of carriage, and provided that neither Pan American nor any of its Operating Affiliates shall be required to deprive itself or themselves of the longest possible carriage of persons or property over its or their own lines, or in the transportation service operated by it and/or them, and provided that the authorization granted by Scadta in Paragraph "FOURTH" heretof shall not be deemed to be limited by reason of any of the matters referred to in "(a)" and "(b)" above.

Scadta agrees to receive, at common points, such persons desiring so to travel, for onward or initial transportation therefrom to points then served by the lines of Scadta, and such property so consigned, for onward or initial transportation therefrom to points to which the transportation service operated by Scadta extends, all subject to and in accordance with the tariffs, and rates, and subject to the rules and regulations, of Scadta, and subject to the terms, provisions and conditions of the current forms of tickets or bills of lading which shall then have been approved by Scadta for use in connection with such transportation of passengers and property.

Scadta agrees to furnish to Pan American and its Operating Affiliates from time to time the aforementioned tariffs, rules and regulations and the aforementioned forms of tickets and bills of lading, and full information regarding the transportation service at the time offered by Scadta.

Advertising matter issued by Pan American or any of its Operating Affiliates which refers to the service of Scadta shall be submitted to, and approved by, Scadta before it is used.

**FOURTH:** Scadta hereby authorizes Pan American, and each of its Operating Affiliates, and such agents and representatives of Pan American or of one or more of its Operating Affiliates as Pan American or such Operating Affiliate or Affiliates may appoint for the purpose, and as may be approved by Scadta, to issue to each person who may desire to obtain a ticket for passage over any of the lines operated by Scadta for the transportation of passengers, an order exchangeable for a ticket, or a ticket, in a form

approved by Scadta, and to check the baggage of such person over said lines, subject to, and in accordance with, the form or forms of baggage check or contract approved by Scadta, and to issue to each person desiring to consign [fol. 2230] property for carriage in the service operated by Scadta for the transportation of property, a bill of lading in a form approved by Scadta, (which ticket, check, contract or bill of lading may, if mutually agreed in writing by the parties hereto, relate to through transportation over the lines of Pan American or its Operating Affiliate or Affiliates and Scadta), and to execute or issue all other documents necessary or appropriate to the transportation of such persons or property, all subject to and in accordance with such tariffs, rates, rules and regulations relating to the transportation of passengers, baggage and/or property as shall at the time be prescribed or approved by Scadta and as shall have been furnished to Pan American and its Operating Affiliates, and subject to and in accordance with such laws as shall be applicable to such transportation. It is understood that no ticket exchange order, ticket, baggage check, or other form of contract purporting to entitle the holder to transportation on the lines of Scadta, and no bill of lading or express receipt covering any shipment of property for carriage in the transportation service operated by Scadta, will be issued in any form other than the current form on which Pan American and its Operating Affiliates have received the approval of Scadta, and that no such ticket exchange order, ticket, baggage check, contract, bill of lading or express receipt will be issued unless reservation for the accommodations required has been made, or otherwise than subject to and in accordance with the tariffs, rules and regulations of Scadta which have been furnished to Pan American and its Operating Affiliates, and unless Pan American, or one of its Operating Affiliates, or Scadta shall have received payment of the total charges, at the rates in force at the time as furnished to Pan American and its Operating Affiliates, or arrangements satisfactory to Scadta and Pan American shall previously have been made respecting the payment of such charges.

Scadta agrees to accept each such ticket and baggage check, and to issue its ticket in exchange for each such [fol. 2231] ticket-exchange order so issued, and to receive each such passenger and his baggage for whom and which such ticket exchange order, or ticket, and baggage check, have been so issued, for transportation over the lines of Scadta, and each shipment of property for which such bill of lading has been so issued, for carriage in the transportation service operated by Scadta, all subject to and in accordance with the terms, conditions and provisions of such ticket exchange order, or ticket, and baggage check, or such bill of lading or express receipt, respectively, and subject to all such rules and regulations.

It is further understood and agreed that in the event that Pan American or any of its Operating Affiliates shall receive notice of the cancellation of any ticket exchange order or ticket for passage over any of the lines of Scadta, or notice of any claim respecting baggage or other property delivered to Scadta, Pan American will notify, or will cause one of its Operating Affiliates to notify, Scadta immediately upon the receipt of such notice.

It is understood that Pan American and each of its Operating Affiliates, and each of the aforementioned agents and representatives, in issuing a ticket exchange order, ticket, baggage check or other contract for passenger and/or baggage transportation over the lines of Scadta, or in issuing a bill of lading or express receipt for the carriage of property in the transportation service operated by Scadta, shall be deemed to be acting only as the agent of Scadta, and for such transportation service, and shall not be liable or responsible for any injury to, or the death of, any person, or for any loss to any person, or for any injury to, loss of, or delay in transporting or delivering any baggage, express or other property, occurring on any of the lines of Scadta or in the aforementioned transportation service, or caused by, or arising from, any act of Scadta, or any of its officers, agents, employees or servants, and Scadta hereby agrees to indemnify and hold harmless Pan American, and each of its Operating Affiliates, and each such agent and representative, from and against all [fol. 2232] claims and damage for any such injury, death, loss or delay.



In the event that any tariff or rate, or any form of ticket exchange order, ticket, baggage check, bill of lading, express receipt or transportation contract, or any rule or regulation of Scadta, for or relating to the transportation of passengers or property over the lines of Scadta or in the transportation service operated by Scadta, shall be changed at any time, or any service operated by Scadta for the transportation of persons or property shall be changed, suspended, or cancelled, Scadta shall notify Pan American and each of its Operating Affiliates thereof at least fifteen days prior to the effective date of such change, suspension or cancellation, and in the event of a suspension such notice shall state the period of suspension as nearly as may be, and it is agreed that neither Pan American nor any of its Operating Affiliates shall be under any liability with respect to any ticket exchange order, ticket, baggage check, contract, bill of lading or express receipt for transportation over any of the lines of Scadta or in the transportation service operated by Scadta which may have been issued by Pan American or any of its Operating Affiliates or any of the aforementioned agents or representatives (in accordance with the tariffs, rates, rules and regulations, and in the forms, furnished to Pan American or its Operating Affiliates) prior to the receipt by Pan American and its Operating Affiliates of notice of such changes, or of such suspension or cancellation of service, or prior to the expiration of said fifteen day period.

FIFTH: Scadta agrees (a) to direct to the offices of Pan American, or of its Operating Affiliate or Affiliates, at common points, persons carried by Scadta to, or coming to the offices of Scadta at, common points, who signify an intention or desire to travel by air to points then served by the lines of Pan American, and/or its Operating Affiliate or Affiliates, or to such points and thence by any means to other points, and (b) to tender to Pan American, or its Operating Affiliate or Affiliates, at common points, all shipments of property carried by Scadta to, or coming to the offices of Scadta at, common points, and consigned, or to be consigned, for carriage therefrom by air, or by [fol. 2233] air and/or a transportation service of the nature



and character of the transportation service operated by Pan American, and/or its Operating Affiliate or Affiliates, to points then served by the lines of Pan American, and/or its Operating Affiliate or Affiliates, or to which the transportation service operated by Pan American, and/or its Operating Affiliate or Affiliates extends, or to such points and thence by any means to other points; provided that such person or the consignor of such property does not require that the transportation shall be by some other route or by some other service or does not prescribe requirements inconsistent with the rates, tariffs, rules, regulations and form of contract of carriage of Pan American and/or its Operating Affiliate or Affiliates, and provided that Scadta shall not be required to deprive itself of the longest possible carriage of persons or property over its own lines, or in the transportation service operated by Scadta, and provided that the authorization granted by Pan American in Paragraph "SIXTH" hereof shall not be deemed to be limited by reason of any of the matters referred to in "(a)" and "(b)" above.

Pan American agrees to receive, ~~or~~ to cause its Operating Affiliate or Affiliates to receive, at common points, such persons desiring so to travel, for onward or initial transportation therefrom to points then served by the lines of Pan American and/or its Operating Affiliate or Affiliates, and such property so consigned, for onward or initial transportation therefrom to points to which the transportation service operated by Pan American and/or its Operating Affiliate or Affiliates extends, all subject to and in accordance with the tariffs and rates, and subject to the rules and regulations, of Pan American and its Operating Affiliate or Affiliates, and subject to the terms, provisions and conditions of the current forms of tickets or bills of lading which shall then have been approved by Pan American and its Operating Affiliate or Affiliates for use in connection [fol. 2234] with such transportation of passengers and property.

Pan American agrees to furnish to Scadta from time to time the aforementioned tariffs, rules and regulations and the aforementioned forms of tickets and bills of lading.

and full information regarding the transportation service at the time offered by Pan American and its Operating Affiliates.

Advertising matter issued by Scadta which refers to the service of Pan American or of any of its Operating Affiliates shall be submitted to, and approved by Pan American before it is used.

SIXTH: Pan American hereby, on behalf of itself, and each of its Operating Affiliates, authorizes Scadta, and such agents and representatives of Scadta as Scadta may appoint for the purpose, and as may be approved by Pan American, to issue to each person who may desire to obtain a ticket for passage over any of the lines operated by Pan American, or any of its Operating Affiliates, for the transportation of passengers, an order exchangeable for a ticket, or a ticket, in a form approved by Pan American, and to check the baggage of such person over said lines, subject to, and in accordance with, the form or forms of baggage check or contract approved by Pan American, and to issue to each person desiring to consign property for carriage in the service operated by Pan American, and/or its Operating Affiliates, for the transportation of property, a bill of lading in a form approved by Pan American, (which ticket, check, contract or bill of lading may, if mutually agreed in writing by the parties hereto, relate to through transportation over the lines of Scadta and Pan American or its Operating Affiliate or Affiliates), and to execute or issue all other documents necessary or appropriate to the transportation of persons or property, all subject to and in accordance with such tariffs, rates, rules and regulations relating to the transportation of passengers, baggage and/or property as shall at the time be prescribed or approved by Pan American, and as shall have been furnished to Scadta, and subject to and in accordance with such laws [fol. 2235] as shall be applicable to such transportation. It is understood that no ticket exchange order, ticket, baggage check, or other form of contract purporting to entitle the holder to transportation over the lines of Pan American and/or its Operating Affiliate or Affiliates, and no bill of lading or express receipt covering any shipment

of property for carriage in the transportation service operated by Pan American and/or its Operating Affiliate or Affiliates, will be issued in any form other than the current form on which Seadta shall have received the approval of Pan American, and that no such ticket exchange order, ticket, baggage check, contract, bill of lading or express receipt will be issued unless reservation for the accommodations required has been made, or otherwise than subject to and in accordance with the tariffs, rules and regulations of Pan American and/or its Operating Affiliate or Affiliates which have been furnished to Seadta, and unless Seadta, or Pan American, or one of its Operating Affiliates, shall have received payment of the total charges, at the rates in force at the time as furnished to Seadta, or arrangements satisfactory to Pan American and Seadta shall previously have been made respecting the payment of such charges.

Pan American agrees to accept, and to cause its Operating Affiliate or Affiliates to accept, each such ticket and baggage check, and to issue its or their ticket in exchange for each such ticket exchange order so issued, and to receive each such passenger and his baggage for whom and which such ticket exchange order, or ticket, and baggage check, have been so issued, for transportation over the lines of Pan American and/or its Operating Affiliate or Affiliates, and each shipment of property for which such bill of lading has been so issued, for carriage in the transportation service operated by Pan American, and/or of its Operating Affiliate or Affiliates, all subject to and in accordance with the terms, conditions and provisions of such ticket exchange [fol. 2236] order, or ticket, and baggage check, or such bill of lading or express receipt, respectively, and subject to all such rules and regulations.

It is further understood and agreed that in the event that Seadta shall receive notice of the cancellation of any ticket exchange order or ticket for passage over any of the lines of Pan American, or of any of its Operating Affiliates, or notice of any claim respecting baggage or other property delivered to Pan American or any of its Operating Affiliates, Seadta will notify Pan American immediately upon the receipt of such notice.

It is understood that Scadta, and each of the aforementioned agents and representatives, in issuing a ticket exchange order, ticket, baggage check or other contract for passenger and/or baggage transportation over the lines of Pan American and/or its Operating Affiliate or Affiliates, or in issuing a bill of lading or express receipt for the carriage of property in the transportation service operated by Pan American, and/or of any of its Operating Affiliates, shall be deemed to be acting only as the agent of Pan American, and/or its Operating Affiliate or Affiliates, and for such transportation service, and shall not be liable or responsible for any injury to, or the death of, any person, or for any loss to any person, or for any injury to, loss of, or delay in transporting or delivering any baggage, express or other property, occurring on any of the lines of Pan American, or of any of its Operating Affiliates, or in the aforementioned transportation service, or caused by, or arising from, any act of Pan American, or of any of its Operating Affiliates, or any of its or their officers, agents, employees or servants, and Pan American hereby agrees to indemnify and hold harmless Scadta and each such agent and representative, from and against all claims and damage for any such injury, death, loss or delay.

In the event that any tariff or rate, or any form of ticket exchange order, ticket, baggage check, bill of lading, express receipt or transportation contract, or any rule or regulation [fol. 2237] of Pan American and/or its Operating Affiliate or Affiliates, for or relating to the transportation of passengers or property over the lines of Pan American and/or its Operating Affiliate or Affiliates or in the transportation service operated by Pan American and/or its Operating Affiliate or Affiliates, shall be changed at any time, or any service operated by Pan American and/or its Operating Affiliate or Affiliates for the transportation of persons or property shall be changed, suspended, or cancelled, Pan American shall notify Scadta thereof at least fifteen days prior to the effective date of such change, suspension or cancellation, and in the event of a suspension such notice shall state the period of suspension as nearly as may be, and it is agreed that Scadta shall not

be under any liability with respect to any ticket exchange order, ticket, baggage check, contract, bill of lading or express receipt for transportation over any of the lines of Pan American and/or its Operating Affiliate or Affiliates or in the transportation service operated by Pan American and/or its Operating Affiliate or Affiliates which may have been issued by Scadta or any of the aforementioned agents or representatives (in accordance with the tariffs, rates, rules and regulations, and with the forms, furnished to Scadta) prior to the receipt by Scadta of notice of such changes, or of such suspension or cancellation of service, or prior to the expiration of said fifteen day period.

**SEVENTH:** It is understood that nothing in this agreement shall be construed as requiring Pan American or any of its Operating Affiliates or Scadta to initiate or maintain service between any particular points.

**EIGHTH:** Each of the parties hereto will at all times furnish to the other all information which the other may require with reference to the tariffs subject to this agreement, and will give to the other the assistance of its technical staff and data in so far as it may be practicable to do so.

**NINTH:** This agreement shall continue in force for a period of five (5) years from the date hereof, and thereafter until notice

[ fol. 2238 ]

New York, N. Y.  
March 11, 1932.

Sociedad Colombo-Almiana  
de Transportes Aereos, S. A.,  
Barranquilla, Colombia.

Dear Sirs:

Referring to the General Traffic Agreement entered into between you and ourselves under the above date, we wish to confirm our mutual agreement supplementing such Agreement as follows:

1. Said Agreement provides that advertising matter issued by you or by us or by any of our Operating Affiliates,

(the term "Operating Affiliates" as herein used to have the same meaning as expressed in such General Traffic Agreement) which refers to the service of the other party shall receive the prior approval of such other party before it is used. It is understood, however, that you or ourselves, or any of our Operating Affiliates, may, without receiving the prior approval of the other, and each of us agrees to, include in its published passenger and express tariffs and schedules relating to transportation to and from points common to your lines and to those of the Pan American Airways System (a) references that connections via the lines of the other party from such points to points on such other party's lines, respectively, are available, and (b) upon request of the other party, such of its passenger and express tariffs and schedules as it may furnish, all such tariffs to be stated only in United States of America currency. It is understood that neither you nor ourselves, nor any of our Operating Affiliates shall be responsible for any inaccuracy in any of the tariffs or schedules of the other, except to see that the same as published are in conformity with the copies furnished by the other. It is further understood that each of you, ourselves and our Operating Affiliates shall be privileged to change any of its tariffs or schedules at any time, without the consent of the other, and that no responsibility shall attach to the other with respect to any such change, except as to the issuance of ticket exchange orders, tickets, baggage checks or bills of lading as provided in said General Traffic Agreement.

2. (a) We will pay to you with respect to each ticket and bill of lading issued to you, and accepted by us, covering transportation over any of the lines of the Pan American Airways System, the following percentages, same to be computed on fares, charges and tariffs at the rates in force at the time as furnished by us to you, and in United States of America currency at the current rate of exchange:

[fol. 2239] (i) 5% of the fare collected by you, or any of your agents or representatives, relating to transportation over the lines of the Pan American Airways System, under each such



ticket, (or if the total fare under such ticket covers transportation over the lines of the Pan American Airways System and also the Scadta Airways System, 5% of the portion thereof collected by you or such agents or representatives which relates to transportation over the lines of the Pan American Airways System).

(ii) 5% of the weight or volume charge collected by you or such agents or representatives relating to transportation over the lines of the Pan American Airways System under each such bill of lading; (or if the total weight or volume charge under any such bill of lading includes charges for transportation over the lines of the Pan American Airways System, and also of the Scadta Airways System, 5% of that portion of such charge which relates to transportation over the lines of the Pan American Airways System).

(iii) 50% of the handling charge collected under each such bill of lading.

(iv) You are hereby authorized to collect for our account the fares and charges under each such ticket, baggage check and bill of lading or such portions as relate to transportation over the lines of the Pan American Airways System.

(b) You will pay to us with respect to each ticket and bill of lading issued by us, and accepted by you, covering transportation over any of your lines, the following percentages, same to be computed on fares, charges and tariffs at the rate in force at the time as furnished by you to us, and in United States of America currency at the current rate of exchange:

(i) 5% of the fare collected by us, or any of our Operating Affiliates, or agents or representatives thereof, relating to transportation

over the lines of the Seadta Airways System, under each such ticket, (or if the total fare under such ticket covers transportation over the lines of the Pan American Airways System and also of the Seadta Airways System, 5% of the portion thereof collected by us, or any of our Operating Affiliates, or agents or representatives thereof, which relates to transportation over the lines of the Seadta Airways System).

- (ii) 5% of the weight or volume charge collected by us, or any of our Operating Affiliates, or agents or representatives thereof, relating to transportation over the lines of the Seadta Airways System under each such bill of lading, (or if the total weight or volume charge under any such bill of lading includes charges for transportation over the lines of the Pan American Airways System and also of the Seadta Airways System, 5% of that portion of such charge which relates to transportation over the lines of the Seadta Airways System).
- (iii) 50% of the handling charge collected under each such bill of lading.
- (iv) We are hereby authorized to collect for your account the fares and charges under each such ticket, baggage check and bill of lading or such portions as relate to transportation over the lines of the Seadta Airways System.
- (c) It is understood that no commissions will be payable with respect to any portion of the transportation charge under any such bill of lading which is based upon value of shipment or goods, or with respect to charges for handling or transporting baggage carried as such.
- (d) The accounts between you and ourselves or our Operating Affiliates shall be made up in United States currency and balances struck at the end

of each month. Balances shall be payable within thirty days thereafter on such reasonable terms and conditions as the party entitled to receive the payment may fix.

3. It is understood that, until otherwise mutually agreed upon between you and ourselves, notwithstanding the provisions of Paragraph "SIXTH" of said General Traffic Agreement, at those points outside of Colombia at which you and either ourselves or any of our Operating Affiliates each maintains an agent or representative for the issuance of tickets, baggage checks or bills of lading, (as for instance at Maracaibo at present) your agent shall not be authorized to issue a ticket, baggage check or bill of lading covering transportation between any two points on our lines and/or those of any of our Operating Affiliates, or from the point at which such agents or representatives are located to any point on our lines or any of the lines [fol. 2241] of any of our Operating Affiliates, whether or not the initial or any intermediate transportation under such ticket, baggage check or bill of lading be over your lines, it being understood that you will refer all such passengers and shippers to our agent or representative at such place.

4. In making reservations for passengers or shipments, (a) the expense of all messages between points on the lines of the Pan American Airways System, will be borne by us, and (b) the expense of all messages between points on the lines of the Scadta Airways System will be borne by you.

If the foregoing correctly expresses your understanding of such supplemental agreement we would appreciate your indicating your approval and acceptance on the attached copy of this letter and returning same to us:

Very truly yours,

PAN AMERICAN AIRWAYS, INC.

By s/

ACCEPTED:

Barranquilla, Colombia.

, 1932.

SOCIEDAD COLOMBO-ALEMANA

DE TRANSPORTES AEREOS, S. A.

Re s/

[fol. 2242]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 52.

[Handwritten notations—extra—2105.1—Avianca.]

I, Joseph J. Cantwell, hereby certify that I am Assistant Secretary of Pan American Airways, Inc.; that the attached document is a true and complete copy of the document evidencing the following agreement:

General Traffic & Sales Agency Agreement, dated November 1, 1949, between Pan American Airways, Inc. and Aerovias Nacionales De Colombia, S. A.

/s/ JOSEPH J. CANTWELL  
Assistant Secretary

Dated: November 14, 1949

[fol. 2243]

GENERAL TRAFFIC AND SALES AGENCY  
AGREEMENT

THIS AGREEMENT, made this 1st day of November, 1949, between PAN AMERICAN AIRWAYS, INC., a corporation organized and existing under the laws of the State of New York, hereinafter referred to as "Pan American", and AEROVIAS NACIONALES DE COLOMBIA, S.A., a corporation organized and existing under the laws of the Republic of Colombia, hereinafter referred to as "AVIANCA":

WITNESSETH THAT, for and in consideration of the mutual covenants and agreements herein contained, Pan American and Avianca hereby agree as follows:

1. Pan American hereby appoints Avianca, and Avianca agrees to act as, General Traffic and Sales Agent in Colombia for Pan American and its affiliated carriers (as defined in Paragraph 21 hereof), the territory in which Avianca is hereby appointed to act as General Traffic and Sales Agent being hereinafter sometimes referred to as "Avianca General Agency Territory". As such General Traffic and Sales Agent, Avianca agrees that it will perform such services as may be appropriate to promote passenger, mail and

cargo traffic over the lines of Pan American and its affiliated carriers and to arrange for transportation of passengers, baggage, mail and cargo over such lines, including the furnishing of necessary personnel, office space, equipment and supplies and doing all other things appropriate to carry out the following activities:

(a) Solicitation and sale within the Avianca General Agency Territory of passenger, mail and cargo transportation for Pan American and its affiliated carriers, including furnishing instructions to, and supervision of such solicitation and sale by, Avianca's Passenger and Cargo Sales Agents appointed in accordance with this Agreement.

(b) Servicing all Passenger and Cargo Sales Agents of Pan American and its affiliated carriers located within the Avianca General Agency Territory; and if and as required by Pan American, obtaining remittances of funds from and paying to such agents commissions for sales of transportation made over the lines of Pan American and its affiliated carriers, all in accordance with the policies, practices, rules, regulations [fol. 2244] and instructions of Pan American pertaining thereto.

(c) Performance of such acts and preparation and checking of such documents in the Avianca General Agency Territory as may be required for the transportation of passengers, baggage, mail and cargo and movement of aircraft over the lines of Pan American and its affiliated carriers, including the making of arrangements for the presence of such government officials as may be required in connection therewith.

(d) Checking such baggage of outgoing passengers at points in the Avianca General Agency Territory as is to be through checked from points served by Avianca to points served by Pan American or its affiliated carriers, it being understood that baggage of passengers traveling over the lines of Avianca and then over the lines of Pan American or its affiliated carriers will be through checked by Avianca only if, and to the extent that, the parties shall expressly so agree; col-

lecting for the account of Pan American and its affiliated carriers any excess baggage charges payable with respect to any baggage checked by Avianca for transportation over the lines of Pan American and its affiliated carriers; receiving and forwarding by carriers with which Pan American or Avianca has forwarding arrangements any trunks or other heavy baggage delivered to Avianca for that purpose by passengers traveling, or proposing to travel, over the lines of Pan American or its affiliated carriers, and collecting any charges payable therefor;

(e) Making arrangements in the Avianca General Agency Territory for adequate ground transportation from and to the airport for passengers, baggage and cargo transported or to be transported over the lines of Pan American or any of its affiliated carriers;

(f) Making arrangements on behalf of such passengers for adequate hotel accommodations in the Avianca General Agency Territory and at points of call of Avianca, Pan American and its affiliated carriers, and [fol. 2245] at other cities.

(g) Making reservations for and facilitating transportation over the lines of Pan American and its affiliated carriers, and connecting carriers;

(h) Furnishing such advice and information as Pan American may from time to time request with respect to transportation formalities required by governments in the Avianca General Agency Territory pertaining to passengers, baggage and cargo moving over the lines of Avianca, Pan American, or its affiliated carriers;

(i) Distribution of such timetables, advertising materials and other information covering the services of Pan American and its affiliated carriers as Pan American may from time to time reasonably request;

(j) Maintaining and operating at points served by Avianca in the Avianca General Agency Territory centrally located sales offices for the sale of passenger



and cargo transportation over the lines of Pan American and its affiliated carriers, which offices shall be staffed with competent traffic and sales personnel for the promotion and sale of passenger, mail and cargo transportation over the lines of Pan American and its affiliated carriers and for the handling of all matters pertaining thereto pursuant to this Agreement, it being agreed that a reasonable number of sales representatives who come in contact with the public in Avianca's principal sales offices in the Avianca General Agency Territory shall be bilingual, i.e. English and Spanish speaking, and it being contemplated that the entire sales organization of Avianca will be available to perform services pursuant to this Agreement but nothing contained in this Agreement shall obligate Avianca to establish any new office or organization at any point not served by Avianca in order to render any service to Pan American or its affiliated carriers.

(k) Publicizing, in the Avianca General Agency Territory, in such appropriate manner as Pan American shall reasonably request, that Avianca is the General Traffic and Sales Agent for Pan American and its affiliated carriers;

(l) Furnishing Pan American with appropriate reports, monthly and at such other times as may be requested by Pan American, as to the extent and character of sales made by each Avianca sales office or agency for Pan American and its affiliated carriers;

(m) Making personal visits through sales representatives to sales agencies and to persons and firms which have been or which are potential customers for transportation via Pan American and its affiliated carriers, it being understood that, if Pan American so requests, a representative of Pan American may accompany Avianca's sales representatives on any such visits;

(n) Providing traffic personnel responsible for the handling of traffic over the lines of Pan American and its affiliated carriers who shall be adequately trained in

airline practice and suitably indoctrinated in required procedures, methods and information to enable them to furnish satisfactory performance hereunder;

\* (c) For the purpose of instructions covering procedures for the sale and handling of passenger, cargo and mail traffic over the lines of Pan American or its affiliated carriers, making available to all of Avianca's offices the several traffic and sales manuals issued by Pan American including all reissues and revisions thereof and supplements thereto and requiring that the provisions of such manuals be followed.

All action taken by Avianca as such General Traffic and Sales Agent, whether specifically referred to herein or otherwise, shall be in accordance with instructions, rules, regulations, rates and tariffs of Pan American and its affiliated carriers. Pan American's representatives may from time to time visit Avianca's sales offices and general agencies for the purpose of discussing with Avianca's sales representatives any and all aspects of their selling activities for Pan American [fol. 2247] and its affiliated carriers; provided, however, that Pan American shall consult with Avianca a reasonable time prior to making such visits regarding the purpose of such visits, and a representative of Avianca may, if Avianca desires, accompany such representatives of Pan American on such visits.

2. Avianca agrees to designate as its agents for the purpose of this Agreement all of its authorized sales agents in the Avianca General Agency Territory, to appoint such additional agents as Pan American may from time to time request, all in accordance with, and upon such terms and conditions as shall be set forth in the instructions (including published agency rules, regulations, policies and practices) given by Pan American, and to cancel the appointment of any agent, for the purposes of this Agreement, upon request by Pan American.

3. Pan American hereby authorizes Avianca to issue (a) tickets, or exchange orders exchangeable for tickets, for transportation of passengers (but not to check baggage

unless the parties hereto shall so agree) and (b) airwaybills or other appropriate forms of contract for transportation of cargo over the lines of Pan American and of its affiliated carriers and to execute and issue all other documents necessary or appropriate for such transportation, all in the form, and subject to and in accordance with the tariffs, rates, rules and regulations and the terms, provisions and conditions of the tickets, airwaybills and other transportation contracts, prescribed and approved from time to time by Pan American or its affiliated carriers, as the case may be, it being understood that no such ticket, exchange order, airwaybill or contract will be issued unless an advance reservation shall have been made for the transportation, if required by such tariffs, rules and regulations, and Avianca shall have received payment of the total charges payable therefor at the point of issuance in accordance with such tariffs, rules and regulations, or shall have made arrangements satisfactory to Pan American for the collection of such charges, and that Avianca will not, directly or indirectly, or through any agent or broker, or otherwise, rebate, or remit any portion of the charges specified in said tariffs. [fol. 2248] Pan American agrees to accept and to carry out the obligation of, or to cause the appropriate affiliated carriers to accept and to carry out the obligation of, each ticket, exchange order, airwaybill, or contract so issued by Avianca. Such airwaybills or contracts may provide for turning over to other transportation agencies for onward carriage by them of cargo destined to points beyond points served by Pan American and its affiliated carriers, and in such event it is agreed that Pan American and its affiliated carriers will act in accordance with the terms of such provision. In issuing tickets, exchange orders, airwaybills and contracts for transportation over the lines of Pan American or any of its affiliated carriers, Avianca shall be deemed to act only as an agent of Pan American or its affiliated carriers, as the case may be. Avianca, including its officers, employees, agents, or servants, shall not be liable, and Pan American agrees to indemnify Avianca, including its officers, employees, agents, or servants, and hold it harmless from and against all claims for any loss, damage, injury or delay of any nature whatsoever, includ-

ing costs and expenses, which shall occur in connection with the transportation services of Pan American or in connection with the carrying out or failure to carry out any obligation to third parties arising by reason of action taken by Avianca pursuant to this paragraph; unless such loss, damage, injury or delay shall be caused by the negligence or wilful misconduct of Avianca, its officers, employees, agents or servants. Pan American shall furnish to Avianca from time to time the aforementioned tariffs, rates, rules and regulations and information regarding the transportation services currently being offered by Pan American and its affiliated carriers. Any act which Avianca is authorized or permitted by this paragraph to take may be taken through an agent of Avianca authorized in accordance herewith.

4. (a) In case Avianca shall receive notice of any claims relating to transportation over the routes of Pan American or its affiliated carriers, Avianca will immediately notify Pan American of such notice, giving all pertinent information available.

(b) In case any tariff, rate, form of ticket, exchange order, airwaybill or other transportation contract, or any rule or regulation of Pan American or its affiliated carriers relating to transportation over their lines, shall be modified or amended at any time, or in case any service of Pan American or its affiliated carriers shall be suspended, modified or cancelled, Pan American will notify Avianca as far in advance as practicable of the effective date of any such modification, amendment, suspension or cancellation, it being understood that Pan American will indemnify and hold harmless Avianca from and against all losses, including costs and expenses, by reason of claims insofar as they arise out of such modification, amendment, suspension or cancellation and the sale by Avianca of transportation prior to receipt by Avianca of notice thereof.

(c) Avianca shall make no refund of any fare, charge, or other sum relating to transportation over the lines of Pan American or its affiliated carriers, unless such refund shall be in accordance with the tariffs, rules, regulations and instructions of Pan American.

(d) In case any claim shall be asserted against Avianca in respect to transportation over the lines of Pan American or any of its affiliated carriers, or in case any action at law, suit or proceeding shall be instituted against Avianca relating thereto, Avianca shall promptly notify Pan American and promptly transmit to Pan American from time to time all communications, legal processes and other documents and information coming into the possession of Avianca and relating to such claim, action at law, suit or proceeding. Avianca shall permit Pan American to settle and to conduct the defense against any such claim, action at law, suit or proceeding and Avianca will cooperate with and assist Pan American, to the extent requested by Pan American, in settling or conducting the defense against any such claim, action at law, suit or proceeding.

5. Pan American hereby agrees to pay or reimburse Avianca the following amounts:

(a) In the case of sales made in the Avianca General Agency Territory by Avianca or any agent of Avianca or of Pan American or any of its affiliated carriers:

(i) *For Passenger Transportation* over the lines of Pan American and its affiliated carriers, a commission equal to either (1) in case such transportation shall have been sold directly by Avianca, ten percent (10%) of the total amount of the fares for such transportation (including excess baggage weight charges but excluding valuation and insurance charges on baggage) collected by Avianca in the Avianca General Agency Territory including fares for such passenger and excess baggage transportation sold in the Avianca General Agency Territory by Avianca and furnished under Universal Air Travel Cards acceptable to Pan American or its affiliated carriers or under government transportation requests or warrants presented by passengers for transportation over the lines of Pan American or any of its affiliated carriers, but excluding any fares payable to other carriers, under tickets and exchange orders issued by Avianca in accordance

with the provisions of this agreement; or (2) in case such transportation shall have been sold by or through an agent of Avianca or of Pan American or any of its affiliated carriers or by another carrier authorized so to do, two and one-half percent ( $2\frac{1}{2}\%$ ) of the total amount of the fares for such transportation, excluding charges for excess baggage weight, and ten percent (10%) of the excess baggage weight charges collected by Avianca, either directly or through its agents, in the Avianca General Agency Territory, including fares for such passenger and excess baggage transportation sold in the Avianca General Agency Territory by such agents of Avianca or such carriers and furnished under Universal Air Travel Cards acceptable to Pan American or its affiliated carriers or under government transportation requests or warrants presented by passengers for transportation over the lines of Pan American or any of its affiliated carriers, but excluding any fares payable to other carriers, under tickets and exchange orders issued by Avianca in accordance with the provisions of this Agreement, plus the commission, if any, payable to such agents in accordance with the rules and regulations of Pan American then in effect, and of which Avianca has been advised, it being understood that in such case the commission, [fol. 2251] if any, payable to the agent, shall be paid to the agent and Avianca will retain the balance equal to two and one-half percent ( $2\frac{1}{2}\%$ ) of the fare and ten percent (10%) of the excess baggage weight charges, and

(ii) *For Cargo Transportation* over the lines of Pan American and its affiliated carriers, a commission equal to either (1) in case such transportation shall have been sold directly by Avianca, seven and one-half percent ( $7\frac{1}{2}\%$ ) of the total amount of the charges (not including valuation, insurance, C.O.D. or collect charges) for such transportation collected by Avianca in the Avianca General Agency Territory, or, in the case of collect shipments, col-



lected otherwise on behalf of Pan American or any of its affiliated carriers, including transportation sold in the Avianca General Agency Territory by Avianca and furnished under government bills of lading or similar warrants presented by shippers, but excluding any charges payable to other carriers, under airwaybills or other cargo transportation contracts issued by Avianca in accordance with the provisions of this Agreement; or (2) in case such transportation shall have been sold by or through an agent of Avianca or of Pan American or any of its affiliated carriers or by another carrier authorized so to do, two and one-half percent ( $2\frac{1}{2}\%$ ) of the total amount of such charges, (not including valuation, insurance, C.O.D. or collect charges), collected by Avianca either directly or through such agents in the Avianca General Agency Territory or, in the case of collect shipments, collected otherwise on behalf of Pan American or any of its affiliated carriers, including transportation sold in the Avianca General Agency Territory by such agents or such carriers and furnished under government bills of lading or similar warrants furnished by shippers, but excluding any charges payable to other carriers under airwaybills or other cargo transportation contracts issued by Avianca in accordance with the provisions of this Agreement, plus the commission, if any, payable to [fol. 2252] such agents in accordance with the rules and regulations of Pan American, it being understood that in such cases the commission, if any, payable to the agent shall be paid to the agent and Avianca will retain the balance equal to two and one-half percent ( $2\frac{1}{2}\%$ ) of the charges.

(b) In case of sales of transportation over the lines of Pan American and its affiliated carriers made by Avianca outside the Avianca General Agency Territory and in case of sales of transportation over the lines of Pan American-Grace Airways made by Avianca within the Avianca General Agency Territory:

(i) *For Passenger Transportation*, a commission equal to seven and one-half percent ( $7\frac{1}{2}\%$ ) of the

total amount of the fares for such transportation, excluding charges for excess baggage and valuation and insurance charges on baggage, collected by Avianca on behalf of Pan American or any of its affiliated carriers, including fares for such transportation sold by Avianca and furnished under Universal Air Travel Cars acceptable to Pan American or its affiliated carriers or under Government transportation requests or warrants presented by passengers for transportation over the lines of Pan American or any of its affiliated carriers, but excluding any fares payable to other carriers under tickets and exchange orders issued by Avianca in accordance with the provisions of this Agreement; and

(ii) *For Cargo Transportation*, a commission equal to five percent (5%) of the total amount of the charges (not including valuation, insurance, C.O.D. or collect charges) for such transportation, collected by Avianca or, in the case of collect shipments collected otherwise on behalf of Pan American or any of its affiliated carriers, including transportation sold by Avianca and furnished under government bills of lading or similar warrants presented by shippers, but excluding any charges payable to other carriers under airwaybills or other cargo transportation contracts issued by Avianca in accordance with the provisions of this Agreement.

[fol. 2253] (c) Any out-of-pocket expenses specifically requested and approved by Pan American which are incurred by Avianca in carrying out special services (including advertising or publicity), requested by Pan American under this Agreement, it being understood that routine expenses of distribution of information, timetables and advertising material to agents, prospective travelers and shippers and similar activities which are classed as a general agent's normal sales promotional activities shall not be reimbursable hereunder.

Except, with respect to transportation issued under Universal Air Travel Cards, government transportation requests or warrants, or government bills of lading or warrants or collect shipments, as provided above, the commissions shall be payable hereunder only in respect of the aforementioned fares, and charges actually collected by Avianca or the said agents and paid over to Pan American and no commission shall be payable with respect to any fare or charge which shall be refunded, except as otherwise specifically authorized by Pan American. Sales of cargo transportation with transportation charges collect shall be deemed to have been made by the party who issued the airwaybill and not by the party who collects the charges.

6. In case Pan American or any of its affiliated carriers receives a commission from any other air, rail, water or bus carrier for the sale of such carrier's passenger tickets, exchange orders or cargo transportation documents issued directly by Avianca or by an agent of Avianca in the Avianca General Agency Territory or elsewhere in connection with interline transportation over the lines of Pan American and its affiliated carriers and such other carrier, Pan American shall pay Avianca or such agents the amount of such commission.

7. Avianca hereby appoints Pan American, and Pan American agrees to act as, General Traffic and Sales Agent for Avianca in the United States of America and throughout the world, except in Colombia and Ecuador, the territory in which Pan American is hereby appointed to act as General Traffic and Sales Agent being hereinafter sometimes referred to as the "Pan American General Agency Territory". As such General Traffic and Sales Agent, Pan American agrees that it will perform such services as may be appropriate to promote passenger, mail, and cargo traffic [fol. 2254] over the lines of Avianca and to arrange for transportation of passengers, baggage, mail and cargo over such lines, including the furnishing of necessary personnel, office space, equipment and supplies and doing all other things appropriate to carry out the following activities:

(a) Solicitation and sale within the Pan American General Agency Territory of passenger, mail and

cargo transportation for Avianca, including furnishing instructions to, and supervision of, such solicitation and sale by Pan American's General Sales Agents and Passenger and Cargo Sales Agents appointed in accordance with this Agreement;

(b) Servicing all passengers and cargo sales agents of Avianca located within the Pan American General Agency Territory; and if and as required by Avianca, obtaining remittances of funds from and paying to such agents commissions for sales of transportation made over the lines of Avianca, all in accordance with the policies, practices, rules, regulations and instructions of Avianca pertaining thereto.

(c) Performance of such acts and preparation and checking of such documents in the Pan American General Agency Territory as may be required for the transportation of passengers, baggage, mail and cargo and movement of aircraft over the lines of Avianca, including the making of arrangements for the presence of such government officials as may be required in connection therewith;

(d) Checking such baggage of outgoing passengers at points in the Pan American General Agency Territory as is to be through checked from points served by Pan American or its affiliated carriers to points served by Avianca, it being understood that baggage of passengers traveling over the lines of Pan American or its affiliated carriers and then over the lines of Avianca will be through checked by Pan American or its affiliated carriers only if, and to the extent that, the parties shall expressly so agree, collecting for the account of Avianca any excess baggage payable with respect to any baggage checked by Pan American or [fol. 2255] its affiliated carriers for transportation over the lines of Avianca, receiving and forwarding by carriers with which Avianca or Pan American has forwarding arrangements, any trunks or other heavy baggage delivered to Pan American or its affiliated carriers for the purpose of passengers traveling, or

proposing to travel, over the lines of Avianca, and collecting any charges payable therefor;

(e) Making arrangements in the Pan American General Agency Territory for adequate ground transportation from and to the airport for passengers, baggage and cargo transported or to be transported over the lines of Avianca;

(f) Making arrangements on behalf of such passengers for adequate hotel accommodations in the Pan American General Agency Territory and at points of call of Avianca, Pan American and its affiliated carriers, and at other cities.

(g) Making reservations for and facilitating transportation over the lines of Avianca and connecting carriers;

(h) Furnishing such advice and information as Avianca may from time to time request with respect to transportation formalities required by governments in the Pan American General Agency Territory pertaining to passengers, baggage and cargo moving over the lines of Pan American or its affiliated carriers and Avianca;

(i) Distribution of timetables, advertising materials and other information to agents and the public covering the services of Avianca as Avianca may from time to time reasonably request;

(j) Maintaining and operating, at points served by Pan American or its affiliated carriers in the Pan American General Agency Territory, centrally located sales offices for the sale of passenger, express and cargo transportation over the lines of Avianca, which offices shall be staffed with competent traffic and sales personnel for the promotion and sale of passenger, mail and cargo transportation over the lines of Avianca and for the handling of all matters pertaining thereto [fol. 2256] pursuant to this Agreement, it being contemplated that the entire sales organization of Pan American and its affiliated carriers will be available

to perform services pursuant to this Agreement, but nothing contained in this Agreement shall obligate Pan American or its affiliated carriers to establish any new office or organization to render any service to Avianca at any point not served by Pan American or its affiliated carriers, except as otherwise specifically provided herein with respect to the continental United States;

(k) Publicizing in the Pan American General Agency Territory, in such appropriate manner as Avianca shall request, that Pan American is the General Traffic and Sales Agent for Avianca.

(l) Furnishing Avianca with appropriate reports, monthly and at such other times as may be requested reasonably by Avianca, as to the extent and character of sales made by each Pan American office or agency or its affiliated carriers for Avianca;

(m) Making personal visits in the United States through sales representatives to sales agencies and to persons and firms which have been or which are potential customers for transportation via Avianca, it being understood that, if Avianca so requests, a representative of Avianca may accompany Pan American's sales representatives on any such visits.

(n) Requiring any general sales agent, appointed by Pan American to function on behalf of Pan American, in lieu of a sales office operated directly by Pan American, to provide adequate sales office facilities.

(o) Pan American's traffic personnel, including that of its general sales agents, responsible for the handling of traffic over the lines of Avianca, shall be adequately trained in airline practice and suitably indoctrinated in required procedures, methods and information to enable them to furnish satisfactory performance hereunder.

All action taken by Pan American as General Traffic and Sales Agent, whether specifically referred to herein or otherwise, shall be in accordance with in-



structions, rules, regulations, rates and tariffs of [fol. 2257] Avianca. Avianca's representatives may from time to time visit Pan American's sales offices and general agencies for the purpose of discussing with Pan American's sales representatives any and all aspects of their selling activities for Avianca; provided, however, that Avianca shall consult with Pan American a reasonable time prior to making such visits regarding the purpose of such visits and a representative of Pan American may, if Pan American desires, accompany such representatives of Avianca on such visits.

8. Pan American agrees to designate as its agents for the purposes of this Agreement all of its authorized sales agents in the Pan American General Agency Territory, to appoint such additional agents as Avianca may from time to time request, all in accordance with, and upon such terms and conditions as shall be set forth in, the instructions (including published agency rules, regulations, policies and practices) given by Avianca and to cancel the appointment of any agent, for the purposes of this Agreement, upon request by Avianca.

9. Avianca hereby authorizes Pan American and its affiliated carriers to issue (a) tickets, or exchange orders exchangeable for tickets, for transportation of passengers, and (b) airwaybills or other appropriate forms of contract for transportation of cargo over the lines of Avianca and to execute and issue all other documents necessary or appropriate for such transportation, all in the form, and subject to and in accordance with the tariffs, rates, rules and regulations and the terms, provisions and conditions of the tickets, airwaybills and other transportation contracts, prescribed and approved from time to time by Avianca, it being understood that no such ticket, exchange order, airwaybill or contract will be issued unless an advance reservation shall have been made for the transportation, if required by such tariffs, rules and regulations, and Pan American or one of its affiliated carriers shall have received payment of the total charges payable therefor at the point of issuance in accordance with such tariffs, rules

and regulations, or shall have made arrangements satisfactory to Avianca for the collection of such charges, and Pan American will not, directly or indirectly, or through any agent or broker, or otherwise, rebate or remit any [fol. 2258] portion of the charges specified in said tariffs. Avianca agrees to accept and to carry out the obligations of each ticket, exchange order, airwaybill or contract so issued by Pan American or any of its affiliated carriers. Such airwaybills or contracts may provide for turning over to other transportation agencies for onward carriage by them of cargo destined to points beyond points served by Avianca, and in such event it is agreed that Avianca will act in accordance with the terms of such provision. In issuing tickets, exchange orders, airwaybills and contracts for transportation over the lines of Avianca, Pan American and its affiliated carriers shall be deemed to act only as agents for Avianca. Neither Pan American nor any of its affiliated carriers, including their officers, employees, agents, or servants, shall be liable, and Avianca agrees to indemnify and hold harmless Pan American and its affiliated carriers, including their officers, employees, agents or servants, from and against all claims, for any loss, damage, injury or delay of any nature whatsoever, including costs and expenses, which shall occur in connection with the transportation services of Avianca or in connection with the carrying out or failure to carry out of any obligation to third parties, arising by reason of action taken by Pan American or any of its affiliated carriers pursuant to this paragraph, unless such loss, damage, injury or delay shall be caused by the negligence or wilful misconduct of Pan American or one of its affiliated carriers, including their officers, employees, agents or servants.

Avianca shall furnish to Pan American and its affiliated carriers from time to time the aforementioned tariffs, rates, rules, regulations and information regarding the transportation services currently being offered by Avianca.

Any act which Pan American or its affiliated carriers is authorized or permitted by this paragraph to take may be taken through an agent of Pan American or its affiliated carriers authorized in accordance herewith.

10. (a) In case Pan American or its affiliated carriers shall receive notice of any claim relating to transportation over the routes of Avianca, Pan American or its affiliated carriers will immediately notify Avianca of such notice, giving all pertinent information available.

(b) In case any tariff, rate, form of ticket, exchange order, airwaybill or other transportation contract, or any rule or regulation of Avianca relating to transportation over its lines, shall be modified or amended at any time, or in case any service of Avianca shall be suspended, modified, [fol. 2259] cancelled, Avianca will notify Pan American as far in advance as practicable of the effective date of any such modification, amendment, suspension or cancellation, it being understood that Avianca will indemnify and hold harmless Pan American and its affiliated carriers from and against all losses, including costs and expenses, by reason of claims insofar as they arise out of such modification, amendment, suspension or cancellation and the sale by Pan American or an affiliated carrier of transportation prior to receipt by Pan American of notice thereof, or in case of a sale by an affiliated carrier, prior to receipt of notice thereof by such carrier if transmitted promptly by Pan American.

(c) Pan American or its affiliated carriers shall make no refund of any fare or other sum relating to transportation over the lines of Avianca, unless such refund shall be in accordance with the tariffs, rules, regulations and instructions of Avianca.

(d) In case any claim shall be asserted against Pan American or any of its affiliated carriers in respect of transportation over the lines of Avianca, or in case any action at law, suit or proceeding shall be instituted against Pan American or any of its affiliated carriers relating thereto, Pan American shall promptly notify Avianca and promptly transmit to Avianca from time to time all communications, legal processes and other documents and information coming into the possession of Pan American and relating to such claim, action at law, suit or proceeding. Pan American shall permit Avianca to settle and to conduct the defense against any such action at law, suit

or proceeding and Pan American will cooperate with and assist Avianca, to the extent requested by Avianca, in settling or conducting the defense against any such claim, action at law, suit or proceeding.

11. Avianca hereby agrees to pay or reimburse to Pan American the following amounts:

(a) In the case of sales made in the Pan American General Agency Territory by Pan American or its affiliated carriers or any agent thereof or of Avianca:

(i) *For Passenger Transportation* over the lines of Avianca, a commission equal to either (1) in case such [fol. 2260] transportation shall have been sold directly by Pan American or its affiliated carriers or a general sales agent of Pan American, ten percent (10%) of the total amount of the fares for such transportation (including excess baggage weight charges but excluding valuation and insurance charges on baggage) collected by Pan American or its general sales agent in the Pan American General Agency Territory including fares for such passenger and excess baggage transportation sold in the Pan American General Agency Territory by Pan American or its general sales agent and furnished under Universal Air Travel Cards acceptable to Avianca or under government transportation requests or warrants presented by passengers for transportation over the lines of Avianca, but excluding any fares payable to other carriers under tickets and exchange orders issued by Pan American or its affiliated carriers or its general sales agent in accordance with the provisions of this Agreement, or (2) in case such transportation shall have been sold by or through an agent of Pan American, (other than a general sales agent of Pan American) its affiliated carriers or Avianca or by another carrier authorized so to do, two and one-half percent (2½%) of the total amount of the fares for such transportation excluding charges for excess baggage weight, and ten percent (10%) of the excess baggage weight charges, collected by Pan American or its general sales agent, either directly or through such agents in the Pan

American General Agency Territory, including fares for such passenger and excess baggage transportation sold in the Pan American General Agency Territory by such agents or such carriers and furnished under Universal Air Travel Cards acceptable to Avianca or under government transportation requests or warrants presented by passengers for transportation over the lines of Avianca, but excluding any fares payable to other carriers, under tickets and exchange orders issued by Pan American in accordance with the provisions of this Agreement, plus the commission, if [fol. 2261] any, payable to such agents in accordance with the rules and regulations of Avianca then in effect, and of which Pan American has been advised, it being understood that in such case the commission, if any, payable to the agent shall be paid to the agent and Pan American will retain the balance equal to two and one-half percent (2½%) of the fare and ten percent (10%) of the excess baggage weight charges, and

(ii) *For Cargo Transportation* over the lines of Avianca, a commission equal to either (1) in case such transportation shall have been sold directly by Pan American or a general sales agent of Pan American, seven and one-half percent (7½%) of the total amount of the charges (not including valuation, insurance, C.O.D. or collect charges) for such transportation collected by Pan American or its general sales agent in the Pan American General Agency Territory or, in the case of collect shipments, collected otherwise on behalf of Avianca, including transportation sold in the Pan American General Agency Territory by Pan American or its general sales agent and furnished under government bills of lading or similar warrants presented by shippers, but excluding any charges payable to other carriers, under airwaybills or other cargo transportation contracts issued by Pan American or any of its affiliated carriers in accordance with the provisions of this Agreement; or (2) in case such transportation shall have been sold by or through an agent of Pan American (other than a general sales agent of



Pan American), its affiliated carriers or Avianca or by [fol. 2262] another carrier authorized so to do, two and one-half percent ( $2\frac{1}{2}\%$ ) of the total amount of such charges (not including valuation, insurance, C.O.D. or collect charges) collected by Pan American or its general agent either directly or through such agents in the Pan American General Agency Territory or, in the case of collect shipments, collected otherwise on behalf of Avianca, including transportation sold in the Pan American General Agency Territory by such agents or such carriers and furnished under government bills of lading or similar warrants furnished by shippers, but excluding any charges payable to other carriers under airwaybills or other cargo transportation contracts issued by Pan American or any of its affiliated carriers in accordance with the provisions of this Agreement, plus the commission, if any, payable to such agents in accordance with the rules and regulations of Avianca, it being understood that in such cases the commission, if any, payable to the agent shall be paid to the agent and Pan American will retain the balance equal to two and one-half percent ( $2\frac{1}{2}\%$ ) of the charges.

(b) In the case of sales made by Pan American or any of its affiliated carriers outside the Pan American General Agency Territory:

(i) *For Passenger Transportation* over the lines of Avianca a commission equal to seven and one-half percent ( $7\frac{1}{2}\%$ ) of the total amount of the fares for such transportation, excluding charges for excess baggage and valuation and insurance charges on baggage, collected by Pan American or any of its affiliated carriers on behalf of Avianca including fares for such [fol. 2263] transportation sold by Pan American or any of its affiliated carriers and furnished under Universal Air Travel Cards acceptable to Avianca, or under government transportation requests or warrants presented by passengers for transportation over the lines of Avianca, but excluding any fares payable to other



carriers under tickets and exchange orders issued by Pan American or any of its affiliated carriers in accordance with the provisions of this Agreement; and

(ii) *For Cargo Transportation* over the lines of Avianca, a commission equal to five percent (5%) of the total amount of the charges (not including valuation, insurance, C.O.D. or collect charges) for such transportation, collected by Pan American or any of its affiliated carriers or, in the case of collect shipments, collected otherwise on behalf of Avianca, including transportation sold by Pan American or any of its affiliated carriers and furnished under government bills of lading or similar warrants presented by shippers, but excluding any charges payable to other carriers under airwaybills or other cargo transportation contracts issued by Pan American or any of its affiliated carriers in accordance with the provisions of this Agreement.

(c) Any out-of-pocket expenses specifically requested and approved by Avianca which are incurred by Pan American or its affiliated carriers in carrying out special services (including advertising or publicity) requested by Avianca under this Agreement, it being understood that routine expenses of distribution of information, timetables and advertising material to agents and prospective travelers and shippers and similar activities which are classed as a general agent's normal sales promotion activities shall not be reimbursable hereunder.

Except with respect to transportation issued under Universal Air Travel Cards, government transportation requests or warrants, government bills of lading or warrants, [fol. 2264] or collect shipments, as provided above, commissions shall be payable hereunder only in respect of the aforementioned fares and charges actually collected by Pan American or its affiliated carriers or the said sales agents and paid over to Avianca, and no commission will be payable with respect to any fare or charge which shall be refunded, except as otherwise specifically authorized by Avianca. Sales of cargo transportation with transportation

charges collect shall be deemed to have been made by the party who issues the airwaybill and not by the party who collects the charges.

12. In case Avianca receives a commission from any other air, rail, water or bus carriers for the sale of such carrier's passenger tickets, exchange orders or cargo transportation documents issued directly by Pan American or its affiliated carriers or by an agent thereof in the Pan American General Agency Territory or elsewhere in connection with interline transportation over the lines of Avianca and such other carrier, Avianca shall pay Pan American, its affiliated carriers or such agents, the amount of such commission.

13. Settlement of all amounts collected or payable pursuant to this agreement shall be made monthly or at such shorter intervals as may be mutually agreed upon by Pan American and Avianca. Statements of account covering all such amounts shall be exchanged as soon as practicable after the end of each month and balances will be settled promptly after such statements are exchanged by a cash payment in United States currency or in such other currency as may be mutually agreed upon in writing from time to time by Pan American and Avianca.

14. Nothing herein contained shall be deemed to require Avianca or Pan American or any of its affiliated carriers to initiate or maintain service between any particular points.

15. All expenses for telegrams, cables, radiograms or other communications sent in connection with or pursuant to this Agreement, including communications relating to reservations and cancellations of reservations, shall be borne by the sender.

16. (a) In transferring shipments of interline baggage, accompanied or unaccompanied, and cargo, from Pan American or any of its affiliated carriers to Avianca, or [fol. 2265] vice versa, pursuant to this Agreement, it shall be the responsibility of the party from whose lines the shipment is transferred, but without incurring any liability for loss of revenue in cases of missed connections, to deliver

such baggage or cargo to the other party at such location and hours as shall be agreed upon in writing by the parties.

(b) Whenever baggage or cargo is to be transferred for onward transportation hereunder and completion of such transportation necessitates compliance with the laws and regulations pertaining to importation and transit or exportation and transit of the country of the point of transfer, it shall be the responsibility of the transferring party to comply with such laws and regulations and to deliver, where necessary, to the onward-carrying party prior to or simultaneously with the transfer, proper evidence of compliance with that country's laws and regulations pertaining to such importation and transit, or exportation and transit; provided, however, that in any case where compliance with such laws and regulations can be made only by the onward-carrying party, it shall be the onward-carrying party's responsibility to comply therewith.

17. In the event that Pan American shall have made or shall make arrangements with any other carrier (hereinafter referred to as "Interline Agreement"), pursuant to which Pan American and its affiliated carriers are or will be authorized to sell transportation over the lines of such other carrier and such other carrier is or will be authorized to sell transportation over the lines of Pan American and its affiliated carriers, it is understood that Avianca, unless provision to the contrary is made therein, is an affiliated carrier of Pan American for the purposes of any such Interline Agreement and Avianca is hereby authorized to sell transportation, and agrees to honor transportation sold, pursuant to any such Interline Agreement, subject to all the terms and conditions thereof. The basis of compensation and the other principal features of all Interline Agreements in effect at the time will be set forth in the appropriate instructions, tariffs, rules and regulations currently furnished to Avianca by Pan American and copies of such agreements will be furnished to Avianca upon request.

[fol. 2266] It is further understood that, with respect to any transportation sold in accordance with an Interline Agreement:

(a) Settlement will be effected between Pan American and Avianca in the same manner as settlement is effected with respect to transportation sold pursuant to this Agreement, or in such other manner as may be mutually agreed upon;

(b) Avianca shall have all of the rights and obligations, and only the rights and obligations, provided under such Interline Agreement with respect to affiliated carriers of Pan American;

(c) Except as otherwise provided for in Paragraphs 5(a)(i), 5(a)(ii), 11(a)(i) and 11(a)(ii) hereof, no commission or other compensation or payment (including reimbursement of commissions or payment to sales agents or others) will be paid to or by Avianca except to such extent as may be provided in the Interline Agreement;

(d) Avianca agrees to indemnify and hold harmless Pan American from and against all claims, including costs and expenses, and to reimburse Pan American for all amounts paid by Pan American pursuant to the Interline Agreement or otherwise by reason of any act or omission of Avianca in violation of the Interline Agreement or by reason of any loss, damage, injury or delay which shall have been caused by Avianca;

(e) In case Pan American shall take action of any kind in connection with the sale by Avianca of transportation over the lines of a carrier with which Pan American has an interline agreement, or the sale by any such carrier of transportation over the lines of Avianca, Pan American shall be deemed to be acting only as agent for the carrier over whose lines such transportation is to be carried out and shall be under no liability to Avianca in connection therewith, including, but without limitation, liability for payment of commissions or other payment unless collected by Pan American on behalf of Avianca, except that Pan American shall be liable for any loss or damage resulting from its own negligence or wilful misconduct.

[fol. 2267] 18. Each party shall be liable for, and shall reimburse, defend and hold harmless the other, from and against all loss, including costs and expenses relating thereto, arising out of any action taken by such party contrary to or omitted to be taken by such party in accordance with this Agreement. Without limiting the generality of the foregoing, it shall cover loss resulting from fines, penalties or detention expenses imposed by any government or governmental agency (or which any government or governmental agency attempts to impose) provided, however, that when such loss is incurred in any case involving the following circumstances, it shall be charged as follows:

(a) When the fines, penalty or detention expense involves a passenger who is ticketed for a stopover at the point of transfer from lines of one party to the other, the loss involved shall be for the account of the onward carrying party.

(b) When the fine, penalty or detention expense results from facts not apparent upon reasonable examination at the time the passenger was processed for travel at the original point of departure or stopover point referred to in subparagraph (a) above, as the case may be, his qualifications for entry into the country imposing such fine, penalty or detention expense having appeared to be proper and complete (including, but not limited to, cases involving errors on the part of consular officials and changes of law or regulations while the passenger was en route), such loss shall be prorated between Avianca, Pan American and its affiliated carriers in proportion to the revenue which each shall receive from the carriage of the passenger.

The party against which any fine, penalty or detention expenses is imposed (even though the loss resulting therefrom is, by the terms of this Agreement, subject to reimbursement in whole or in part by another party) shall be responsible for the defense thereof, it being understood that all reasonable efforts shall be taken by such party to obtain the remission of such fine, penalty or detention expense. Each interested party will cooperate and assist the defending party to



[fol. 2268] the extent reasonably requested of it, furnishing all data and information related to such fine, penalty or detention expense in its possession or available to it.

19. Amounts paid by Pan American or its affiliated carriers or Avianca in settlement of claims for concealed loss or damage (i.e., loss or damage not observed or detected and recorded prior to delivery to the passenger or consignee) to cargo or baggage transported over the lines of Avianca and of Pan American or its affiliated carriers, as the case may be, shall, after crediting any amounts received from other carriers, not affiliated carriers of Pan American, in respect of such loss or damage, be prorated between Pan American and Avianca on the basis of the ratio of the miles of carriage performed by Avianca, on the one hand, and Pan American and its affiliated carriers on the other, with respect of such cargo or baggage.

20. Any claim or controversy arising out of or relating to this Agreement or to the manner of performance of breach thereof shall be referred to, and settled by, arbitration in the manner hereinafter provided.

The party requesting arbitration shall notify the other party naming its arbitrator in the notice. The other party shall appoint an arbitrator within ten (10) days after the receipt of such notice. Within ten (10) days after such appointment, the two arbitrators shall appoint a third arbitrator and the decision or the award of any two of such three arbitrators shall be final, binding and conclusive upon the parties. If either party fails to appoint the arbitrator to be appointed by such party, or if the arbitrators appointed by or for the respective parties shall fail to appoint such third arbitrator, then and in either such event such then unappointed arbitrator shall be appointed by the Inter American Commercial Arbitrator Commission. Any such arbitration shall be conducted in accordance with the law of the State of New York and held in New York City, New York, unless the parties shall otherwise agree in writing.

[fol. 2269] 21. The term "affiliated carriers" whenever used in this Agreement shall, for the purpose hereof, be



deemed to mean such companies, other than Avianca, engaged in the transportation of passengers, mail, express or cargo by air, in which Pan American or any company owning a majority of the capital stock of Pan American, owns a stock interest and which Pan American may from time to time designate in writing to Avianca; provided however, that Pan American-Grace Airways, Inc. shall be excluded from the term "affiliated carriers" as used in Paragraphs 1, 2, 5(a) (i) and 5(a) (ii) hereof.

22. This Agreement cancels and supersedes all existing arrangements between the parties relating to the same subject matter.

23. Neither party may assign this Agreement or any obligation imposed on such party hereunder; provided, however, that nothing herein contained shall prevent Pan American from carrying out its obligations hereunder in all or any portion of its General Agency Territory through a general sales agent.

24. The provisions of this Agreement shall be subject to any applicable rule or resolution, including but not limited to rules or resolutions relating to commissions, of the International Air Transport Association or the Air Traffic Conference of America or any similar body or organization, or any branch, committee or conference thereof which is binding upon either party to this Agreement, or to any applicable agreement made by either party to this Agreement and approved by the International Air Transport Association, the Air Traffic Conference of America, or any such similar organization which is binding upon either party to this Agreement, and said provisions shall be deemed to be amended by any such rule, resolution or agreement. Information applicable to this Agreement regarding such rules, resolutions and agreements which are not directly available to either party hereto as a member of the organization which adopted or approved the same, will be furnished to the other party within a reasonable time after the effective date thereof.

25. Any notice required or permitted to be given pursuant to this Agreement shall be duly given if sent by mail

or delivered by hand, in the case of notice to Pan American, to the Vice President-Traffic and Sales, Pan American [fol. 2270] Airways, Inc., 135 East 42nd Street, New York 17, New York, United States of America, or to such other person or such other address as Pan American may from time to time designate for that purpose, and in the case of notice to Avianca, to the Traffic Manager, Aerovias Nacionales de Colombia, S.A. Carrera 9, Calle 12, Bogota, Colombia, or such other person or such other address as Avianca may from time to time designate for that purpose.

26. This Agreement shall become effective on November 1, 1949, and shall continue in effect until December 31, 1950, and shall continue in effect from year to year thereafter provided, however, that either party may, after that date, terminate this Agreement by giving six (6) months' written notice of termination to the other party. Termination of this Agreement shall not relieve either party from any obligation or liability on its part arising from or connected with tickets, exchange orders, airway bills or other contracts for transportation issued or effected prior to such termination nor shall it relieve either party from any liability on its part based upon any state of facts existing prior to such termination.

IN WITNESS WHEREOF, Pan American and Avianca have caused this Agreement to be executed in their corporate names by their respective officers thereunto duly authorized.

PAN AMERICAN AIRWAYS, INC.

By /s/ WILLIS G. LIPSCOMB  
Vice President-Traffic & Sales

WITNESSES:

[Two signatures illegible]

AEROVIAS NACIONALES DE COLOMBIA, S.A.

By /s/ (Illegible)

President

WITNESSES:

[Two signatures illegible]

Vice-President Executive  
Traffic-Manager

[fol. 2271]

## PAN AMERICAN WORLD AIRWAYS EXHIBIT 53

I, Joseph J. Cantwell, hereby certify that I am Assistant Secretary of Pan American World Airways, Inc.; that the attached document(s) (are) true and complete copy (s) of the document(s) evidencing the following Agreement:

General Traffic and Sales Agency Agreement, dated December 3, 1954, between Pan American World Airways, Inc. and Aerovias Nacionales De Colombia, S.A., and a supplementary letter agreement with respect thereto of the same date.

JOSEPH J. CANTWELL  
Assistant Secretary

Dated: December 8, 1954

[fol. 2272]

GENERAL TRAFFIC AND SALES AGENCY  
AGREEMENT

THIS AGREEMENT, made as of December 3, 1954, between PAN AMERICAN WORLD AIRWAYS, INC., a corporation organized and existing under the laws of the State of New York, hereinafter referred to as "Pan American", and AEROVIAS NACIONALES DE COLOMBIA, S.A., a corporation organized and existing under the laws of Colombia, hereinafter referred to as the "Company",

WITNESSETH THAT:

WHEREAS, Pan American operates an extensive system of international air transportation services between the United States and various countries and colonies in Latin America, which services extend through Colombia; and

WHEREAS, the company operates air transportation services in Colombia, and between Colombia and the United States and Europe, and

WHEREAS, Pan American and the Company are parties to an Agreement dated as of November 1, 1949, under which

the Company acts as General Traffic and Sales Agent in Colombia for Pan American and its affiliated carriers, and Pan American and its affiliated carriers act as General Traffic and Sales Agent outside Colombia and Ecuador for the Company; and

WHEREAS, the parties desire to terminate said Agreement, and to enter into a new agreement upon the terms and conditions set forth herein:

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereby agree as follows:

1. Pan American and the Company agree to accept as general basis for their reciprocal relations for the sale and/or handling of passengers, express and cargo transportation over their respective lines, the conditions and stipulations contained in the INTERNATIONAL AIR TRANSPORT ASSOCIATION (IATA) INTERLINE TRAFFIC, BAGGAGE AND CARGO HANDLING AGREEMENTS (hereinafter sometimes referred to as the [fol. 2273] "IATA Agreements"), except as otherwise specifically and mutually agreed upon herein. Pan American and the Company have heretofore become parties to the IATA Agreements by making written application to, and depositing executed counterparts of said IATA Agreements with, the Secretary of the Traffic Committee of IATA, but neither party has concurred in the participation with the other as a party to said IATA Agreements. Prior to December 15, 1954, the Company shall submit to the Secretary of the Traffic Committee of IATA, in writing, its concurrence in the participation with Pan American and its affiliated carriers as a party to the IATA Agreements, and shall promptly thereafter notify Pan American and its affiliated carriers in writing of the submission of such concurrence. Promptly after the receipt by Pan American of the notice referred to in the preceding sentence, Pan American shall submit, and arrange for its affiliated carriers to submit, to the Secretary of the Traffic Committee of IATA, in writing, their concurrence in the participation with the Company as a party to the IATA Agreements. Notwithstanding the

provisions of the IATA Agreements relating to the time at which said IATA Agreements shall become binding between any of the parties thereto, said IATA Agreements shall be deemed effective as between the parties hereto, including affiliated carriers of Pan American, as of the effective date of this Agreement.

2. Pan American and its affiliated carriers, on the one hand, and the Company, on the other, agree, in accordance with the general and basic conditions established hereunder, to render for each other such additional services as are listed in the ANNEXES to this Agreement, which services are not covered by the IATA Agreements.

3. Pan American hereby appoints the Company, and the Company agrees to act as, General Traffic and Sales Agent in Colombia (except in the territories, regions, and cities specifically excluded by Annex No. 1), for Pan American and its affiliated carriers. As such General Traffic and [fol. 2274] Sales Agent, the Company agrees that it will perform such services as may be appropriate to promote passenger, mail, express and cargo traffic over the lines of Pan American and its affiliated carriers and, in cooperation with Pan American, to arrange for transportation of passengers, baggage, mail, express, and cargo over such lines. In the event Pan American shall desire to establish its own sales offices in cities or regions in Colombia (other than those established prior to the effective date of this Agreement), Pan American shall be permitted to do so upon giving the Company not less than sixty (60) days' notice in writing of the establishment of such sales office.

4. The Company hereby appoints Pan American and its affiliated carriers, and Pan American agrees to act and make arrangements with its affiliated carriers under which they will act, as General Traffic and Sales Agent for the Company outside Colombia and Ecuador, except in those countries, regions and cities specifically excluded by Annex No. 1. As such General Traffic and Sales Agent, Pan American and its affiliated carriers agree that they will perform such services as may be appropriate to promote passenger, mail, express and cargo traffic over the lines of the Com-

pany and, in cooperation with the Company, to arrange for transportation of passengers, baggage, mail, express and cargo over such lines. In the event the Company shall desire to establish its own sales offices in cities or regions in the territory in which Pan American acts as General Traffic and Sales Agent hereunder (other than those established prior to the effective date of this Agreement), the Company shall be permitted to do so upon giving Pan American not less than sixty (60) days' notice in writing of the establishment of such sales office.

5. In view of the mutual appointments contained in paragraphs 3 and 4 above, each party acting as General Traffic and Sales Agent for the other accepts the following as the functions to be normally performed by each party for the other in the territory in which such party acts as General Traffic and Sales Agent for the other hereunder:

[fol. 2275] (a) Solicitation and sale of passenger, mail, express and cargo transportation;

(b) Making arrangements on behalf of such passengers for transportation to and from airport terminals at points of call of such other party and for hotel accommodations at such points and at other cities;

(c) Furnishing such advice and information as either party may from time to time request with respect to clearance, customs and immigration procedures at points where such party acts as General Traffic and Sales Agent;

(d) Making local arrangements for advertising and publicity, including the distribution of timetables, advertising materials and other information, as either party may from time to time request to the other party;

(e) Maintaining and operating centrally located sales offices for the sale of transportation for passengers, express and cargo at points served by said party, which offices will be staffed with competent traffic and sales personnel for the sale, and the sales promotion, of passenger, mail, express and cargo transportation over the lines of the other party and for the handling of all matters pertaining thereto pursuant to this Agreement;



(f) Performance of such acts and checking of such documents as may be required by applicable governmental laws or regulations for passengers, baggage, mail, express and cargo to be transported over the lines of the other party, including the making of arrangements for the presence of such government officials as may be required in connection therewith;

(g) Checking baggage of outgoing passengers and delivering baggage to incoming passengers if the other party so requests, collecting for the account of the other party any excess baggage charges payable with respect to any baggage checked by one party for transportation over the lines of the other party, receiving and forwarding by car-  
[fol. 2276] riers with which either party has forwarding arrangements, any trunks or other heavy baggage delivered to either party for the purpose by the other party or by passengers traveling or proposing to travel, over said lines, and collecting any charges payable therefor;

(h) Receiving from shippers outgoing express and cargo to be carried over the lines of the other party and delivering to consignees incoming express and cargo carried over said lines if either party so requests, collecting and forwarding by other transportation agencies any express or cargo delivered to either party for the purpose by the other party, and collecting any charges, including C.O.D. and Collect Charges, payable therefor in respect to any such express or cargo;

(i) Furnishing such catering service and other passenger service as either party may specifically request in connection with such party's operations;

(j) Making reservations for and facilitating transportation by the other party, its affiliated carriers and connecting carriers;

(k) Service all passenger and/or cargo sales agents of the other party; and, if and when required by the other party, obtain remittances of funds and pay them commissions for sales of transportation made by them over the lines of such other party, all in accordance with the policies,

practices, rules, regulations and instructions of such other party pertaining thereto.

(1) Subject to the conditions set forth in the Annexes, assisting in negotiations with Government agencies in countries in which one party acts as General Traffic and Sales Agent for the other, as such other party may specifically request.

6. All action taken by each party as General Traffic and Sales Agent, whether specifically referred to herein or otherwise, shall be in accordance with the instructions, rules, regulations, fares, rates and tariffs of the party or its affiliated carriers for whom such action is taken hereunder.

[fol. 2277] 7. Each party agrees to effect the appointment for the purposes of this Agreement, in the name and on behalf of the other party, of such agents in the territory in which said party acts as General Traffic and Sales Agent hereunder, as the other party may from time to time request, all in accordance with, and upon such terms and conditions as shall be set forth in, the instructions (including official published agency rules, regulations, policies and practices) and forms of agreement which said other party shall furnish to said party as its General Traffic and Sales Agent hereunder, and to cancel the appointment of any agent for the purpose of this Agreement, upon said other party's request.

8. (a) Subject to the provisions of paragraph 19 hereof, in consideration for the Company acting as General Traffic and Sales Agent for Pan American and its affiliated carriers hereunder, Pan American hereby agrees to pay to the Company for sales made in the territory in which the Company acts as General Traffic and Sales Agent for Pan American and its affiliated carriers, in addition to any commissions payable under the IATA Agreements:

(i) A commission equal to three (3%) percent of the total amount of the applicable fares for passenger transportation over the lines of Pan American and its affiliated

carriers, excluding excess baggage weight charges and valuation and insurance charges on baggage, collected by the Company either directly or by agents (including other carriers), or by Pan American, including passenger transportation sold by the Company and furnished under any Time Payment Plan tariff of Pan American, Universal Air Travel Cards acceptable to Pan American, and Government transportation requests or warrants presented by passengers of Pan American or its affiliated carriers.

(ii) A commission equal to two and one-half (2½%) percent of the total amount of the applicable charges (not including insurance and C.O.D. charges) for air express and cargo transportation over the lines of Pan American or its affiliated carriers, collected by the Company either directly or by agents (including other carriers), or by [fol. 2378] Pan American, or provided for on collect charge shipments for which the Company issues the air waybill (excluding charges collected for shipments for which the Company does not issue the air waybill).

(b) Subject to the provisions of paragraph 19 hereof, in consideration for Pan American and its affiliated carriers acting as General Traffic and Sales Agent for the Company hereunder, the Company hereby agrees to pay to Pan American for sales made in the territory in which Pan American and its affiliated carriers act as General Traffic and Sales Agent for the Company, in addition to any commissions payable under the IATA Agreements:

(i) A commission equal to three (3%) percent of the total amount of the applicable fares for passenger transportation over the lines of the Company, excluding excess baggage weight charges and valuation and insurance charges on baggage, collected by Pan American or its affiliated carriers either directly or by agents (including other carriers), or by the Company, including passenger transportation sold by Pan American or its affiliated carriers and furnished under any Time Payment Plan, Universal Air Travel Cards acceptable to the Company and Government transportation requests or warrants presented by passengers of the Company.

(ii) A commission equal to two and one-half (2½%) percent of the total amount of the applicable charges (not including insurance and C.O.D. charges) for air-express and cargo transportation over the lines of the Company, collected by Pan American or its affiliated carriers either directly or by agents (including other carriers), or by the Company, or provided for on collect charges shipments for which Pan American or any affiliated carrier of Pan American issues the air waybill (excluding charges collected for shipments for which Pan American or any affiliated carrier of Pan American does not issue the air waybill).

(c) No commission will be payable with respect to any [fol. 2279] fares or charges which shall be refunded, except as otherwise provided by the party over whose lines the transportation is or is to be carried out.

(d) Each party hereby agrees to pay or reimburse to the other party any out-of-pocket expenses specifically requested and approved by such party and incurred by the other, not chargeable to passengers or shippers (other than the cost of routine notices, distribution of time tables and sales promotion material, solicitation and salaries of personnel, office rental, telephone service and other expenses incurred in performing such services as are customarily performed by a General Traffic and Sales Agent) in carrying out special services (including such expenses for advertising and publicity and catering) requested under this Agreement.

9. (a) Each party agrees to indemnify the other and hold it harmless from and against all claims, for any loss, damage, injury or delay of any nature whatsoever, including costs and expenses, which shall occur in connection with the transportation services of said party or in connection with the carrying out or failure to carry out any obligation to third parties arising by reason of action taken on behalf of said party by said other party as General Traffic and Sales Agent pursuant to this Agreement unless such loss, damage, injury or delay shall be caused by the negligence or wilful misconduct of said other party. Pan American agrees to obtain a similar commitment from

each of its affiliated carriers with respect to its transportation services and obligations to third parties arising by reason of action taken on its behalf.

(b) Each party hereby releases the other from all liability to it for loss, damage, injury or delay, arising by reason of any action taken or omitted to be taken on behalf of said party by said other party as General Traffic and Sales Agent pursuant to this Agreement unless such loss, damage, injury or delay shall be caused by the negligence or wilful misconduct of said other party.

[fol. 2280] (c) It is expressly understood, without limiting the generality of the foregoing provisions of this paragraph 9, that expenses to either party arising from any fines, penalties or detention expenses imposed by any government or governmental agency (or which any government or governmental agency attempts to impose), as the result of negligence on the part of the other in performing the functions provided for in paragraph 5(f) of this Agreement, shall be for the account of said other party.

(d) The provisions of this paragraph 9 shall relate to matters dealt with in this Agreement other than matters dealt with in the IATA Agreements, and shall not be deemed to modify any of the provisions of said agreements. The provisions of this paragraph 9 shall be applicable to any functions provided to be performed by either party for the other by the terms of this Agreement, which functions may also be provided for by the terms of any ground handling agreement, ground servicing agreement or other agreement between the parties, notwithstanding any provision to the contrary, or inconsistent therewith, in said ground handling agreement, ground servicing agreement or other agreement.

10. Each party agrees to cooperate with the other in the operation of passenger, mail, express and cargo air services of the other and that it will, so long as this Agreement shall remain in force and effect, assist the other in the establishment and operation of such services.

11. All expenses for telegrams, cables, radiograms or other communications sent in connection with or pursuant

to this Agreement, including communications relating to reservations and cancellations of reservations, shall be borne by the sender.

12. Except as otherwise agreed upon between the parties in writing, settlement of all amounts payable hereunder, including all amounts collected on behalf of either party for transportation sold under the provisions of the IATA [fol. 2281] Agreements, shall be made in accordance with the applicable rules and regulations of the IATA Clearing House.

13. In the event that Pan American shall have arrangements (hereinafter referred to as an "Interline Agreement"), with any other carrier other than pursuant to an IATA Interline Traffic Agreement, pursuant to which Pan American and its affiliated carriers are authorized to sell transportation over the lines of such other carrier and such other carrier is authorized to sell transportation over the lines of Pan American and its affiliated carriers; it is understood that the Company is an affiliated carrier of Pan American for the purpose of the Interline Agreement and the Company is hereby authorized to sell transportation, and agrees to honor transportation sold, pursuant to the Interline Agreement, subject to all the terms and conditions thereof. The basis of compensation and the other principal features of all Interline Agreements in effect at the time will be set forth in the traffic rules and regulations currently furnished to the Company by Pan American and copies of such agreements will be furnished to the Company upon request. It is further understood that, with respect to any transportation sold in accordance with the Interline Agreement:

(a) Settlement will be effected between Pan American and the Company in the same manner as settlement is effected pursuant to this Agreement, or in such manner as shall be mutually agreed upon;

(b) The Company shall have all of the rights and obligations, and only the rights and obligations, provided under the Interline Agreement with respect to affiliated companies of Pan American;



(c) No commission or other compensation or payment (including reimbursement of commissions or payment to sub-agents or others) will be paid by or to the Company, except to such extent as may be provided in the Interline [fol. 2282] Agreement; and

(d) The Company agrees to indemnify and hold harmless Pan American from and against all claims, including costs and expenses, and to reimburse Pan American for all amounts paid by Pan American pursuant to the Interline Agreement or otherwise by reason of any action taken by the Company pursuant to this paragraph 13.

14. In case Pan American shall take action of any kind in connection with the sale by the Company of transportation over the lines of an affiliated carrier of Pan American, or the sale by an affiliated carrier of Pan American of transportation over the lines of the Company, or in connection with the sale by the Company of transportation over the lines of a carrier with which Pan American has an Interline Agreement, or the sale by any such carrier of transportation over the lines of the Company, Pan American shall be deemed to be acting only as Agent for the carrier over whose lines such transportation is to be carried out and shall be under no liability to the Company in connection therewith, including, but without limitation, liability for payment of commissions or other payments unless collected by Pan American on behalf of the Company, except for its own negligence or wilful misconduct.

15. It is agreed that the name "Pan American", "Pan American Airways System", and "Pan American World Airways", "Pan American World Airways System", and "Clipper" and the Pan American insignia and any other special or distinctive phrase, mark, name or slogan relating to Pan American and used on advertising material or otherwise by the Company, including all accompanying goodwill, are and are to remain the property of Pan American, and that the names "Aerovias Nacionales de Colombia", and "Avianca", and the Company's insignia and any other special or distinctive phrase, mark, or slogan relating [fol. 2283] to the Company and used on advertising mate-

rial or otherwise by Pan American, including all accompanying goodwill, are and are to remain the property of the Company, and Pan American and the Company agree to cooperate fully with each other in the protection of such names, insignia, phrases and marks.

16. Any controversy or claim arising out of or in any manner relating to this Agreement shall be referred to and finally settled by arbitration in accordance with the procedures set forth below, and if necessary, judgment on the award rendered may be entered in any court having jurisdiction thereof.

(i) If the parties agree to the appointment of a single arbitrator, the arbitral tribunal shall consist of him alone.

(ii) If they do not so agree the arbitral tribunal shall consist of three arbitrators. Each party shall appoint one of the three arbitrators, and the arbitrators so appointed shall appoint the third, who shall act as chairman. Should the arbitrators appointed by the parties fail to agree on the appointment of the third, or should either fail to appoint his arbitrator, any supplementary appointment required shall be made by the Director General of the International Air Transport Association (IATA).

(iii) The Director General may, at the request of either party, fix any time limit he finds appropriate within which the other party, or the two arbitrators appointed by the parties, shall constitute the arbitral tribunal. Upon the expiration of this time limit the [fol. 2284] Director General shall take the action prescribed in the preceding paragraph to constitute the tribunal.

(iv) When the arbitral tribunal consists of three arbitrators, its decision shall be given by majority vote.

(v) The arbitral tribunal shall settle its own procedures and if necessary shall decide the law to be applied. The award shall include a direction con-

cerning allocations of costs and expenses of and incidental to the arbitration (including arbitrator fees).

(vi) The award shall be final and conclusively binding upon the parties.

17. As used in this Agreement, the term "affiliated carriers" shall include all companies other than the Company engaged in the transportation of passengers, mail, express or cargo, by air, for hire, capital stock of which shall be owned by Pan American, which Pan American may designate by notice in writing to the Company.

18. (a) Unless otherwise provided for in the Annexes to this Agreement, this Agreement shall become effective as of December 3, 1954, and shall continue in effect until December 31, 1955 and thereafter until terminated by either party at any time after December 31, 1955 upon notice in writing given to the other not less than ninety (90) days in advance of the date of such termination. Termination of this Agreement shall not relieve either party from any obligation or liability on its part arising from or connected with tickets, exchange orders, airway- [fol. 2285] bills or other contracts for transportation issued or executed prior to such termination nor shall it relieve either party from any liability on its part based upon any state of facts existing prior to such termination.

(b) The general traffic and sales agency agreement between Pan American and the Company dated November 1, 1949, as amended, is hereby terminated as of the effective date of this Agreement.

19. The provisions of this Agreement shall be subject to all applicable rules and resolutions, including but not limited to those relating to commissions, of the International Air Transport Association (IATA), or any branch, committee, or conference thereof, which is binding upon either party to this Agreement or to any applicable agreement made by either party to this Agreement and approved by the IATA, and said provisions shall be deemed to be amended by any such rule, resolution or agreement to the extent that said provisions are in conflict with such rule, resolution or agreement.

20. Any notice required or permitted to be given pursuant to this Agreement shall be duly given if sent by mail addressed, in the case of notice to Pan American, to Vice President-Traffic and Sales, Pan American World Airways, Inc., 135 East 42nd Street, New York 17, N. Y., U. S. A., or to such other address as Pan American may from time to time designate for the purpose, and in the case of notice to the Company, to the President, Aerovias Nacionales de Colombia, S. A., Edif. San Tander, Carrera 7a #16-14, Bogota, Colombia, or to such other address as the Company may from time to time designate for the purpose.

21. This Agreement consists of paragraphs 1 through 21, together with Annex No. 1 and the same may hereafter [fol. 2286] be amended by mutual agreement in writing between the parties.

IN WITNESS WHEREOF, Pan American and the Company have caused this Agreement to be executed in the corporate names by their respective officers thereunto duly authorized.

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ WILLIS G. LIPSCOMB  
Vice President  
Traffic and Sales

WITNESSES:

[Two signatures illegible]

AEROVIAS NACIONALES DE COLOMBIA, S. A.

By /s/ H. MAX HEALEY  
Commercial Vice President

WITNESSES:

[Two signatures illegible]

[fol. 2287]

**GENERAL TRAFFIC AND SALES  
AGENCY AGREEMENT****ANNEX NO. 1**

1. In accordance with the provisions of paragraph 2 of the **GENERAL TRAFFIC AND SALES AGENCY AGREEMENT** to which Pan American and the Company are parties;

- (a) Pan American, on one side, agrees to act as General Traffic and Sales Agent on behalf of the Company outside the countries of Colombia and Ecuador; and
- (b) The Company, on the other side, agrees, to act as General Traffic and Sales Agent on behalf of Pan American in the country of Colombia.

Pan American agrees to assist the Company in negotiations with government agencies in the countries in which Pan American acts as General Traffic and Sales Agent for the Company, to such an extent as shall be requested by the Company, and any out-of-pocket expenses incurred in furnishing such assistance will be reimbursed by the Company. The Company agrees to assist Pan American in negotiations with the government agencies in Colombia to such an extent as shall be requested by Pan American, and any out-of-pocket expenses incurred in furnishing such assistance will be reimbursed by Pan American.

[fol. 2288]

## PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 54

December 3, 1954

Mr. Willis G. Lipscomb  
Vice President—Traffic & Sales  
Pan American World Airways, Inc.  
135 East 42nd Street  
New York 17, N. Y.

Dear Mr. Lipscomb:

Reference is made to the General Traffic and Sales Agency Agreement between our respective companies executed on this date, and to Paragraph 8 (d) thereof which provides that each party thereto pay or reimburse the other any out-of-pocket expenses specifically requested and approved by such party and incurred by the other.

This letter, when accepted by you, will evidence our further agreement with respect to the following matters in regard to the provisions of Paragraph 8(d) of said Agreement, in order to continue the existing arrangements between us with respect thereto:

1. We hereby request that, until further notice, the following materials and services be furnished by Pan American World Airways, Inc., on behalf of Aerovias Nacionales de Colombia, S.A., (AVIANCA) the expenses for which will be reimbursed to Pan American by AVIANCA in accordance with the terms hereinafter provided:

A. Production of System timetables and distribution to offices of Pan American, AVIANCA and of other System carriers, expenses for which include:

- (a) Printer's charges, including but not limited to composition, correction, printing and paper;
- (b) Charges for photographs, art work and design; and
- (c) Expense of distribution to offices of Pan American, AVIANCA and other System carriers which share in such expense.



B. Production, filing and distribution of tariffs and schedules, including those filed with the United States Civil Aeronautics Board (CAB) and with agencies of other governments, expenses for which include:

(a) Printer's charges, including but not limited to composition, correction, printing, paper;

(b) Cost of binders; and

[[fol. 2289] (c) Expense of transmitting to CAB and other governmental agencies and of distribution to offices of Pan American, AVIANCA and other System carriers which share in such expense.

C. Production and distribution of Traffic Manuals, expenses for which include:

(a) Printer's charges, including but not limited to composition, correction, printing and paper;

(b) Cost of binders; and

(c) Expense of distribution to offices of Pan American, AVIANCA and of other System carriers which share in such expenses.

D. Production and distribution of Universal Air Travel Plan and Pay Later Plan instructions, forms, cards and related documents, expenses for which include:

(a) Printer's charges, including but not limited to composition, correction, printing and paper; and

(b) Expense of distribution to offices of Pan American, AVIANCA and of other System carriers which share in such expense.

E. Publication of schedules, rates and related matter in the sections of the OFFICIAL GUIDES relating to Pan American World Airways System, at cost as billed by said publications.

2. AVIANCA agrees to pay to Pan American as its share of the expenses for the respective services above described an amount that bears the same ratio to the total expenses incurred for said services as AVIANCA's pas-

senger and cargo gross revenues, whichever shall be applicable as set forth below, for the calendar preceding the year in which said expenses are incurred bear to the total of such revenues for such preceding calendar year for all of the carriers in the Pan American World Airways System which share in such costs of such service; provided, that in no case shall AVIANCA's share of expenses relating to cargo traffic only exceed 10% of the total System cargo revenue. For the purpose of the preceding sentence, cargo and express revenues are to be used for determining the share of expenses with respect to services relating exclusively to cargo or express, and passenger revenues are to be used for determining the share of expenses with respect to all other services referred to herein. With respect to publication of schedules, rates and related matter in the separate AVIANCA section of the OFFICIAL GUIDES, AVIANCA will reimburse Pan American for costs as billed by said publications.

[fol. 2290] 3. The cost of distribution of the various documents referred to herein shall include only the cost of distribution to the offices of the various carriers in the Pan American World Airways System and shall not include cost of distribution of any of such documents or other advertising material by Pan American or any of such carriers to sub-agents or to prospective travelers or shippers, all of which when done by Pan American shall be considered a normal sales promotion activity as a general agent.

4. All of the documents referred to above and other traffic documents, such as tickets, ticket envelopes, exchange orders, airwaybills, sales agency agreements, baggage checks and similar documents, will be procured by AVIANCA in accordance with the terms of the letter agreement dated June 25, 1952 relating to purchasing and shipping services to be rendered to AVIANCA by Pan American.

If the foregoing correctly sets forth our agreement in regard to these matters, will you please indicate your

acceptance on the enclosed copy of this letter and return the same to us.

Very truly yours,

AEROVIAS NACIONALES DE COLOMBIA, S. A.

/s/ H. MAX HEALEY  
H. Max Healey  
Commercial Vice President

ACCEPTED: December 3, 1954

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ WILLIS G. LIPSCOMB  
Vice President—Traffic and Sales

[fol. 2291].

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 55

December 3, 1954

Aerovias Nacionales de Colombia, S. A.,  
Bogota, Colombia.

Attention: Mr. H. Max Healey, Commercial Vice President

Dear Sirs:

Enclosed herewith is a form of General Traffic and Sales Agency Agreement which we propose to supersede the existing agency agreement between us dated November 1, 1949. If the enclosed form of General Traffic and Sales Agency Agreement is satisfactory to you, will you kindly execute and return to us two copies thereof. We will then execute the same and return one executed copy for your files.

We hereby designate Compania Mexicana de Aviacion, S. A., Lineas Aereas Costarricenses, S. A., and Panair do Brasil, S. A., pursuant to paragraph 17 of the Agreement, as affiliated carriers of Pan American for the purposes thereof. We also designate Aeronaves de Mexico, S. A., pursuant to paragraph 17 of the Agreement, as an affili-

ated carrier of Pan American solely with respect to matters relating to participation in the IATA Interline Traffic, Baggage and Cargo Handling Agreements and Avianca acting as General Traffic and Sales Agent under the Agreement. Pan American-Grace Airways, Inc., is also designated, pursuant to paragraph 17 of the Agreement, as an affiliated carrier of Pan American solely with respect to matters relating to participation in the IATA Interline Traffic, Baggage and Cargo Handling Agreements and Pan American and its affiliated carriers acting as General Traffic and Sales Agent under the Agreement.

Very truly yours,

PAN AMERICAN WORLD AIRWAYS, INC.

By /s/ WILLIS G. LIPSCOMB  
Vice President—Traffic & Sales

Enc.

[fol. 2292]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 56

THIS ORIGINAL IS NOT TO BE REMOVED FROM  
PAN AMERICAN AIRWAYS SYSTEM  
CONTRACT FILE

TR 391  
G-9F6A

[Handwritten notation—original copy—Type I-A-1]

# INTERLINE TRAFFIC AGREEMENT

(I.A.T.A. Form)

WHEREAS the parties hereto operate air transportation services and desire to enter into arrangements under which each may sell transportation over the routes of the others,

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties agree as follows:

# I. Definitions

1. "Ticket" means the form issued to passenger(s) by a party hereto for transportation for hire of the passenger(s) and his (their) baggage over the routes of one or more such parties.
  2. "Exchange Order" (which is equivalent to the term Exchange Voucher) means the form issued by a party hereto which provides for the issuance of ticket(s) in exchange for such exchange order.
  3. "Consignment Note" (which is equivalent to the term Air Waybill) means the form completed by a party hereto which evidences the contract between a consignor and a carrying airline(s) for the transportation of cargo over the routes of one or more such parties.
  4. "Issuing Airline" means a party hereto which issues a ticket or exchange order or completes a consignment note for transportation over the routes of another party(ies) to this agreement.
  5. "Carrying Airline" means a party hereto over whose routes a passenger, baggage or cargo is transported or is to be transported pursuant to a ticket actually issued or to be issued in exchange for an exchange order or pursuant to a consignment note.
  6. "Transferring Airline" means a Carrying Airline over whose routes a passenger, baggage or cargo is to be transported from the point of origin, or a stop-over or transfer point, to the point of transfer to the next carrying airline.
  7. "Cargo" means any property transported for hire, other than mail, baggage, or property retained in the custody of a passenger.
- [fol. 2293] 8. "Baggage" means the property of a passenger carried in connection with the trip for which the passenger has purchased a ticket and checked in accordance with applicable tariffs.

9. "Tariffs" means the fares, rates, charges, rules, regulations, conditions of carriage and instructions pertaining to transportation duly published by any of the parties hereto.
10. "Sale" means the issuance of a ticket or exchange order or the completion of a consignment note or other transportation document as authorized herein.
11. "IATA" means International Air Transport Association.

## II. *Issuance of Tickets and Exchange Orders and Completion of Consignment Notes*

1. Each party hereto is hereby authorized to issue or complete:

- (a) tickets, or exchange orders exchangeable for tickets, for transportation of passengers, provided that, unless otherwise agreed as between any of the parties, baggage shall be checked by each carrying airline only for its respective portion of the transportation.
- (b) consignment notes for transportation of goods over the routes of each other party hereto, and
- (c) all other documents necessary or appropriate for such transportation;

all in the form approved by, and in accordance with the tariffs and the terms, provisions, and conditions of the tickets, consignment notes, and other documents of the party over whose routes the passenger, baggage, or cargo is to be carried. No ticket, exchange order or consignment note will be issued or completed providing for space on a particular flight unless an advance reservation (booking) shall have been made for the transportation, and the issuing airline shall have received payment of the total charges payable therefor in accordance with such tariffs or shall have made arrangements



satisfactory to the carrying airline for the collection of such charges. The issuing airline will not, directly or indirectly, or through any agent or broker, or otherwise, rebate or remit any portion of the charges specified in said tariffs.

2. Each party agrees to accept each such ticket, consignment note, or other transportation document [fol. 2294] and to honour each exchange order issued by any other party hereto and to transport passengers, baggage or cargo as specified therein subject to its applicable tariffs. Such consignment note may provide for turning over to other transportation agencies for onward carriage by them of goods destined beyond points served by the carrying airlines, and in such event it is agreed that the carrying airline will act in accordance with the terms of such provision.
3. Each party shall furnish to each other party the tariffs and other information necessary to the sale, as contemplated hereunder, of the transportation services currently being offered by it. In case any schedule, tariff, form of ticket or exchange order or consignment note of any party hereto relating to transportation over its lines, shall be modified or amended at any time, or in case any service of any such party shall be suspended, modified or cancelled, such party will notify each other party as far in advance as practicable, of the effective date of any such modification, amendment, suspension or cancellation.

### III. *Claims and Indemnities*

1. The carrying airline, as principal, indemnified the issuing airline, including its officers, employees, agents and servants, as agent, against all claims, demands, costs, expenses, and liability arising from the issue, completion or acceptance of any ticket, exchange voucher or consignment note or from the carriage effected in pursuance thereof; provided

that such indemnification shall not cover claims caused solely by the negligence or wilful misconduct of the issuing airline; and provided further, that, in respect to claims resulting from tickets, exchange orders or consignment notes improperly issued, completed or delivered by an issuing airline, such issuing airline indemnified the carrying airline, including its officers, employees, agents and servants.

2. Upon the transfer of baggage and/or cargo hereunder, the transferring or onward-carrying airline indemnifies the onward-carrying or transferring airline, including its officers, employees, agents and servants, respectively, against all claims, demands, and liability arising from such transferring or onward-carrying airline(s) failure to discharge its obligation or responsibility as provided herein-after in Article V, Paragraph 7.
3. In the event that any claim is made or suit is commenced against a party hereto, indemnified as above, such party shall give prompt written notice to the appropriate other party hereto and shall furnish as requested all available communications, [fol. 2295] legal processes, data, papers, records and other information, material to the resistance or defence of such claim or suit.
4. Each party agrees to hold harmless and indemnify all other parties hereto from all claims, demands, costs, expenses and liability arising from or in connection with the death or injury to passengers, or loss, damage or delay of baggage or cargo incurred while such passengers, baggage or cargo are, pursuant to this agreement, under the control or in the custody of, or being transported by, such party.
5. Amounts paid in settlement for loss or damage to baggage or cargo not detected and recorded at the time of transfer between the carriers shall be prorated between all carrying airlines concerned

on the basis of transportation fares and charges received by each from such transportation.

#### IV. *Commissions*

1. No commission shall be paid by one party to the other for any sale made pursuant to this agreement except such commissions as may be currently authorized by applicable resolution of IATA, or, if no applicable resolution of IATA is in effect, only such commissions as the parties hereto may otherwise agree to.
2. If the carrying airline, the passenger or consignor (or purchaser of a ticket, or exchange order) for any reason cancels any booking or does not use all or any portion of the transportation specified, neither the issuing airline nor its agent shall claim or withhold any commission for the sale of transportation so cancelled or unused.
3. No commission or other compensation shall be payable to the issuing airline in respect of sums not actually collected and paid over by it to the carrying airline, as evidenced by exchange orders, tickets, consignment notes or other authorized transportation documents issued by the issuing airline, or with respect to sums which shall be refunded, except as otherwise specifically authorized by the carrying airline.

#### V. *General*

1. In issuing or completing tickets, exchange orders and consignment notes for transportation over the routes of other parties hereto, the issuing airline shall be deemed to act only as an agent of the carrying airline(s).

[fol. 2296] 2. Any act which a party is authorized or permitted by this agreement to take may be taken through an agent of that party; provided, however, that whenever transportation is sold by

any party through an agent, such party, if so required by the carrying airline, will notify the carrying airline(s) concerned of the name and location of the agent and will pay commissions to the agent only in accordance with applicable resolutions of IATA, or if there are no such resolutions, in accordance with directions of the carrying airline(s).

3. Each party hereto agrees not to make any representations with regard to the tickets, exchange orders, consignment notes, or other transportation documents of any other party hereto, or of the flight or journey for which the same shall be sold or issued, except those representations specifically authorized by such other party.
4. Nothing herein contained shall be deemed to require any party hereto to initiate or maintain service between any particular points.
5. Whenever a sale by an issuing airline is made in the territory of a General Agent or General Sales Agent of a carrying airline, the reservation and sale shall be handled in accordance with arrangements made between the parties hereto. Each party will advise each other party from time to time of the names and addresses of all General Agents or General Sales Agents of such party located in the area where such other party has an office(s) for the sale of transportation and of the territory for which each General Agent or General Sales Agent holds the General Agency/General Sales Agency.
6. In transferring interline baggage, accompanied or unaccompanied, and cargo, it shall be the responsibility of the transferring airline, but without incurring any liability for loss of revenue in cases of missed connections, to deliver such baggage or cargo to the next carrying airline, at such location and hours to be agreed upon in writing by the parties concerned.

7. Whenever baggage or cargo is to be transferred for onward transportation hereunder and completion of such transportation necessitates compliance with the laws and regulations pertaining to importation and transit or exportation and transit of the country of point of transfer, it shall be the responsibility of the transferring airline to comply with such laws and regulations and to deliver, where necessary, to the onward-carrying airline, prior to or simultaneously with the transfer, proper evidence of compliance with that country's laws [fol. 2297] and regulations pertaining to such importation and transit or exportation and transit; provided, however, that in any case where compliance with such laws and regulations can be made only by the onward-carrying airline, it shall be the onward-carrying airline's responsibility to comply therewith, and provided further that any two or more parties hereto may, by separate written agreement, alter such responsibilities as between themselves.

#### VI. *Interline Settlement*

1. Each issuing airline agrees to pay to each carrying airline the transportation charges applicable to the transportation performed by such carrying airline and any additional transportation or non-transportation charges collected by the issuing airline for the payment of which the carrying airline is responsible.
2.
  - a) Settlements of amounts payable pursuant to this agreement between parties that are members of the IATA Clearing House shall be in accordance with applicable rules and regulations of the IATA Clearing House.
  - b) Settlements of amounts payable pursuant to this agreement involving one or more parties that are not members of the IATA Clearing House shall be made monthly or at such shorter

intervals and in such manner and by such means as may be mutually agreed upon by the respective parties hereto. Statements of account covering all such amounts will be exchanged as promptly as practicable after the end of each month and balances will be settled promptly after such statements are exchanged by a cash payment in the currency designated from time to time by the carrying airline to which such payment is due.

## VII. *Arbitration*

1. Any dispute concerning the scope, meaning, construction or effect of this agreement or arising therefrom shall be referred to and finally settled by arbitration.
2. If the parties concerned agree to the appointment of a single arbitrator the arbitral tribunal shall consist of him alone.
3. If they do not so agree, the arbitral tribunal shall consist of one arbitrator for each party and one or two other arbitrators, as may be required to provide an odd number. Each party concerned shall appoint one of the arbitrators, and the arbitrators so appointed shall appoint the other(s). [fol. 2298] one of whom shall be designated as chairman. Should the arbitrators appointed by the parties fail to agree on appointment of the other(s) or designation of a chairman, or should any party fail to appoint his arbitrator, any such appointment required shall be made by the Director General of IATA.
4. The Director General may, at the request of any party concerned, fix any time limit he finds appropriate within which the parties, or the arbitrators appointed by the parties, shall constitute the arbitral tribunal. Upon expiration of this time limit the Director General shall take the action pre-



- scribed in the preceding paragraph to constitute the tribunal.
- 5. When the arbitral tribunal consists of more than one arbitrator, its decision shall be given by majority vote.
- 6. The arbitral tribunal shall settle its own procedure, and if necessary shall decide the law to be applied. The award shall include a direction concerning allocation of costs and expenses of and incidental to the arbitration (including arbitrator fees).
- 7. The award shall be final and conclusively binding upon the parties.

#### VIII. *Termination of Prior Agreements*

This agreement supersedes all previous interline traffic agreements pertaining to international transportation of passengers, baggage and or cargo between and among the parties hereto which are in conflict herewith.

#### IX. *Application to become a Party*

Any airline desiring to become a party to this agreement shall make written application to the Secretary of the Traffic Committee of IATA. Upon receiving such application, the Secretary shall mail to each of the parties hereto a notice of such application. Each party shall then in writing to the Secretary either concur in or dissent from such application. Upon execution of a counterpart hereof by the applicant, the Secretary shall, sixty days after notice of such application, mail to each of the parties and to the applicant, a second notice stating which parties have concurred in such application. Thirty days after the date of mailing of such latter notice, this agreement shall become binding between the applicant and all of the parties who have concurred in such application.

[foi. 2299] X. *Withdrawal from Agreement*

A party hereto may withdraw from this agreement, either with respect to all the parties or with respect to a designated party, by giving thirty days written notice of such withdrawal to the Secretary of the Traffic Committee of IATA and to all the parties hereto; in the latter alternative the agreement shall continue in force between the party giving such notice and all parties hereto except such designated party. Such withdrawal does not relieve any of the parties from obligations or liabilities incurred hereunder before the date of effectiveness of such withdrawal.

XI. *Execution Hereof*

This agreement may be executed in any number of counterparts, all of which shall be taken to constitute one original instrument. Such counterparts shall be deposited with the Secretary of the Traffic Committee of IATA.

PAN AMERICAN AIRWAYS, INC.  
(Name of airline)

By /s/ WILLIS G. LIPSCOMB  
Willis G. Lipscomb

Vice President-Traffic & Sales  
(Title)

/s/ R. C. LOUNSBURY  
R. C. Lounsbury  
General Traffic Manager